

AR75

annual report 2000

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

now the possibilities are endless

SHAW)

CONTENTS

mission	1
overview	2
strategic transactions	3
report to shareholders	4
financial highlights	8
cable	10
internet	18
satellite	26
shaw ventures	34
community	42
management's discussion and analysis	43
management's responsibility for financial reporting	53
auditors' report	53
financial statements	54
notes to the consolidated financial statements	57
five years in review	82
subscriber statistics	83
shareholder information	84
corporate information	85

The Annual General Meeting of Shareholders will be held on December 14, 2000, at 10:30 A.M. at the Crystal Ballroom, Palliser Hotel, 133 - 9 Avenue SW, Calgary, Alberta.

MISSION STATEMENT

SHAW Communications Inc. is a distribution company. SHAW's mission is to provide its customers with high-quality entertainment, information and communications services, utilizing a variety of distribution technologies.



now

the possibilities are endless

CORPORATE PROFILE

SHAW Communications Inc. is a diversified Canadian communications company whose core business is providing broadband cable television, Internet and satellite services to approximately 2.3 million customers. SHAW also has significant interests in telecommunications, Internet infrastructure and interactive television companies. SHAW is traded on The Toronto and New York Stock Exchanges (symbol: TSE – SJR.B, NYSE – SJR).



shaw2000 strategic transactions

Acquisition of control of Cancom.

1 in 5 Canadian homes is a SHAW customer.

Provides SHAW with national distribution capabilities for video, future Internet access and other services in the high-growth satellite business.

Expands SHAW's Internet infrastructure allowing the Company to efficiently manage a high-growth opportunity for both cable- and satellite-based Internet access.

Creation of Big Pipe and strategic alliance with 360networks to establish national broadband Internet backbone.

Sale of SHAW FiberLink in exchange for \$360 million in cash and 23% interest in GT Group Telecom.

Sharpens focus on SHAW's core businesses and realizes significant value for SHAW shareholders.

Surfaces hidden value for SHAW shareholders and renews focus on core business.

Separation of Corus Entertainment Inc., now a separate publicly traded company.

Creation of the new investment vehicle SHAW Ventures.

Leverages SHAW's pre-eminent Internet position by creating an investment portfolio that significantly enhances value for shareholders.

Provides SHAW with unprecedented flexibility and liquidity to grow its core businesses.

Innovative financing through restructuring of debt and monetization of investment portfolio.

Pending cable asset exchange with Rogers Communications.

Achieves greater clustering and focus in demographically attractive Western Canada.

Creates a single national broadband and narrowband portal.

Merger of @Home and Excite Canada.

shaw2000 report to shareholders

The 2000 fiscal year was challenging and ultimately very successful. SHAW became more focused on its core cable television and Internet operations, while at the same time enhancing the scope of operations. In addition, we increased the depth of our financial resources and, through SHAW Ventures, the ability to capitalize on new and existing investment opportunities, particularly in Internet and other emerging technologies. Finally, continued strong operating results were achieved in the core business, highlighted by the growth of the Shaw@Home Internet access service.

A YEAR OF OPERATING SUCCESSES

SHAW achieved strong operating results in the current year. Cable television subscriber growth in basic and extended tier services, strategic acquisitions and the continuing roll-out of digital cable terminals enabled the division to improve its revenue and operating income over the previous year by 22.7% and 24.6% respectively. The Shaw@Home Internet access service more than doubled its customer base in the 2000 fiscal year, continuing SHAW's performance as the leading supplier of cable modem Internet service in North America. SHAW owes much of this success to the ongoing dedication and hard work of its employees, and has recognized their contribution by the creation of a stock option plan for all non-unionized employees of the Company. As a consequence, our employees will be able to participate in the growth in value of the Company that in no small part will be the result of their efforts.

A YEAR OF FINANCIAL SUCCESSES

To provide financial flexibility to take advantage of future opportunities, SHAW undertook a complete refinancing of its long-term debt financing structure during the year. The Company redeemed its previously outstanding private placement debentures, completed two public issues of debentures and renegotiated its syndicated credit facility. The new debt is unsecured and is less onerous in terms of financial covenants, which provides SHAW with the ability to respond quickly as new developments occur. In addition, SHAW continued to aggressively pursue the monetization of a portion of its investment portfolio to capitalize on favorable market conditions. The monetizations were achieved through the issuance of equity linked exchangeable debentures, recognized by the National Post as one of the top ten business financing strategies of the year.

JR Shaw



Jim Shaw



shaw2000 report to shareholders

A YEAR OF SIGNIFICANT TRANSACTIONS AND AGREEMENTS

A number of significant transactions were completed during the year: the separation of Corus Entertainment Inc.; the sale of the SHAW FiberLink assets and operations to GT Group Telecom for cash plus an approximate 23% equity interest in GT for a total value of \$760 million; and the acquisition of control of Canadian Satellite Communications (Cancom). The effects of these transactions have already brought significant benefits and will continue to do so into the future. SHAW's operations are now concentrated in broadband cable and satellite distribution systems. This will allow SHAW to focus exclusively on two main businesses with strong potential for growth.

SHAW also undertook to strengthen its cable television and Internet operations by means of two strategic agreements during the year. The Company has agreed, subject to regulatory approvals, to exchange its Southwest Ontario and New Brunswick cable television systems plus approximately \$76 million in cash for Rogers Communications' Greater Vancouver cable systems in British Columbia. The system exchange (with completion expected by November 30, 2000) will strengthen SHAW's position as the dominant provider of cable television services in Western Canada and offer significant opportunities for operational and administrative synergies. When the transaction is completed, SHAW's customer base in British Columbia will be in excess of one million and approximately 80% of its 1.8 million total subscribers will be located in Alberta and British Columbia. This base will be important in terms of meeting the challenge of competing technologies as well as providing significant marketing opportunities for the expansion of existing services and new product offerings in the future.

In order to meet the Company's growing demand for broadband Internet backbone capacity, SHAW entered into a strategic alliance with 360networks inc., whereby SHAW will acquire over \$250 million of high-speed bandwidth network services and dark fiber from 360networks over the next three years. This fiber network will be operated by Big Pipe Inc., a wholly owned subsidiary of SHAW, and will serve as the national platform for national IP-based services and interconnect high-capacity video servers across Canada. This will enable SHAW to continue to deliver high-quality Internet access services to its fast-growing customer base.

A YEAR OF EVEN BETTER SHAREHOLDER COMMUNICATION AND DISCLOSURE

SHAW has always sought to be a leader in fair and open communication with SHAW shareholders and other stakeholders. In the past few months, we have undertaken new disclosure initiatives designed to make available investment analyst presentations to all shareholders on SHAW's web site or by contacting our corporate offices.

shaw2000 report to shareholders

In addition, we have set out specific goals for fiscal 2001 by which our shareholders can easily assess our performance. These are:

- Organic basic subscriber growth of approximately 1%, which is in line with the growth achieved in the year 2000.
- Organic Internet subscriber growth of 45%, which is in line with the Corporation's experience of existing demand for the product.
- Based on the above growth, anticipated revenues, expenses, price increases and the cable swap with Rogers Communications, the goal is to increase EBITDA (earnings before interest, taxes, depreciation and amortization) for cable and Internet by 12%.

A YEAR OF BUILDING FOR A FUTURE OF ENDLESS POSSIBILITIES

As the number of Internet appliances and the potential applications for Internet e-commerce and other functions proliferate in the future, industry experts predict strong corresponding growth in Internet users. In addition, the development of technology whereby home television receivers become capable of supporting a wide range of interactive services will create further demand for Internet access. SHAW is well positioned to take advantage of these emerging trends through its broadband cable/national satellite and Big Pipe distribution systems. Moreover, as the number of satellite-delivered digital television services increases, both systems should benefit from an increased subscriber base. Ours is a world rapidly moving toward total connectivity – a world in which all people expect access to a complete spectrum of entertainment and information from convenient, high-quality interactive access points. SHAW is bringing the connected world to everyone and in the process will be one of the leaders in the way people communicate **now and in a future of endless possibilities.**

[Signed]

Jim Shaw

President and Chief Executive Officer

[Signed]

JR Shaw

Executive Chair

shaw2000 financial highlights

Years ended August 31

(\$000s, except as indicated)

RESULTS OF OPERATIONS

	<u>2000</u>	<u>1999</u>
Total revenue	<u>971,000</u>	<u>709,412</u>
Operating income before interest, amortization and income taxes	<u>397,663</u>	<u>309,873</u>
Net income from continuing operations	<u>118,499</u>	<u>46,550</u>
Cash flow from continuing operations	<u>237,789</u>	<u>207,894</u>
Capital expenditures	<u>583,594</u>	<u>312,233</u>

PER SHARE DATA

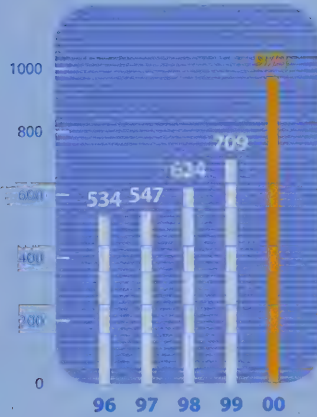
Cash flow per share	<u>\$ 1.08</u>	<u>\$ 1.08</u>
Earnings per share	<u>\$ 0.45</u>	<u>\$ 0.12</u>
Weighted average shares outstanding (000s)	<u>188,927</u>	<u>168,832</u>

FINANCIAL POSITION

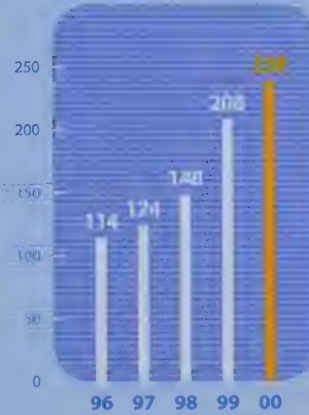
Total assets	<u>5,321,859</u>	<u>3,734,395</u>
Long-term debt	<u>1,777,654</u>	<u>1,410,659</u>
Shareholders' equity	<u>2,930,411</u>	<u>1,777,556</u>
Debt to cash flow ratio	<u>4.38 to 1</u>	<u>3.81 to 1</u>

shaw2000 financial highlights

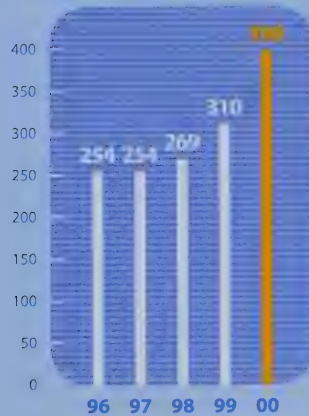
Total Revenue
(\$ millions)



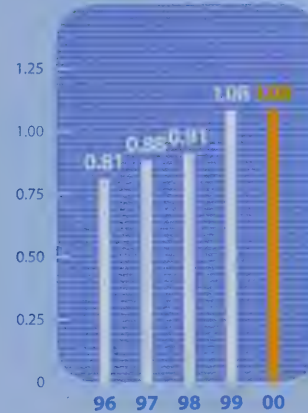
Total Cash Flow from Operations
(\$ millions)



Total Operating Income
(\$ millions)



Total Cash Flow
(\$ per share)



Grandma laughs when I tell her Grandpa and I are going surfing ...



Before SHAW Digital Cable it wasn't possible. Now, with over 200 channels to choose from, the surf's always up, from The History Channel to Teletoon. Hang Ten!

now the possibilities are endless



cable highlights

Critical mass
of **1.8 million**
basic subscribers.

74% penetration
rate for basic
subscribers.

Approximately
90% of homes
passed upgraded
to two-way.¹

Highly evolved
broadband distribution
system supporting
a wide range of
communications
services.

Over **160,000** digital
terminals deployed.

Western Canada's
dominant cable
provider with attractive
demographic growth.¹

Services include basic
cable, choice of three
tiers and Digital Cable.

Expanded services:
up to 50 impulse
pay-per-view channels,
BBC World, *BET*, *Court TV*,
and the *Game
Show Network*.

1. Adjusted to reflect pending cable asset
exchange with Rogers Communications Inc.

cable future outlook

Industry has moved from a highly regulated environment to one based on fair and sustainable competition.

- After the system exchange with Rogers, over 80% of SHAW's customer base will be located in British Columbia and Alberta, offering significant potential administrative, operating and marketing synergies.
- SHAW will continue to pursue cable system acquisitions in areas contiguous to its existing locations offering attractive synergies with its current operations.

Increased pressure to provide high-quality service to retain customers in a competitive environment.

- SHAW will use its incentive pay and training programs to attract and retain the best employees.
- SHAW will increase emphasis on customer acquisition and retention campaigns.

The CRTC is currently considering applications for new digital specialty programming services.

- The new services will provide SHAW with the opportunity to enhance its current digital service offering, making it more attractive to existing and potential customers.

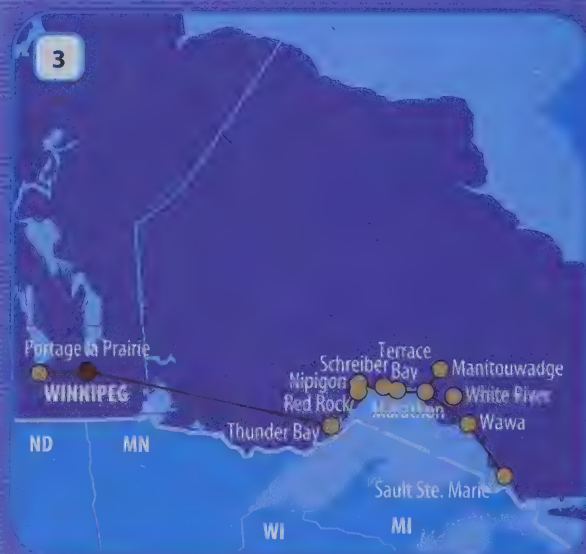
Advances in technology will continually increase service offerings to cable customers.

- SHAW, through various strategic alliances, will soon commence the deployment of software in its digital cable terminals (DCTs) that will enable web-based interactive television services, such as email and Internet surfing, to its cable customers across Canada.

cable systems by region†

Each colour represents a strategic operating cluster of cable systems. Clustering creates significant economies of scale and scope through sharing of facilities and services.

† Reflecting exchange of SHAW's Ontario and New Brunswick cable systems for Rogers Communication Inc.'s Greater Vancouver cable systems.



PRO FORMA SUBSCRIBER STATISTICS AS AT AUGUST 31, 2000[†]

Basic Subscribers By Region	Homes Passed	Subscribers
Vancouver Island including Victoria/Duncan/Nanaimo and area	290,290	221,077
Vancouver/Kamloops/Chilliwack/Kelowna/Penticton/Vernon and area	954,687	748,056
Calgary/Red Deer/Edmonton/Hinton/Fort McMurray/Lethbridge and area	647,320	479,100
Saskatoon/Prince Albert/Moose Jaw/Swift Current	124,390	82,116
Winnipeg/Thunder Bay/Sault Ste. Marie and area	196,015	153,341
Halifax/Dartmouth/Bedford/Sackville/New Minas/Digby and area	100,361	70,668
Other systems	114,274	70,439
Total cable systems	2,427,337	1,824,797
Full Cable Service	Subscribers	Penetration as % of Basic
Tier I	1,510,944	82.7%
Tier II	1,384,442	75.8%
Tier III	1,099,382	60.6%*
Digital Cable Terminal (DCT) Subscribers		130,511

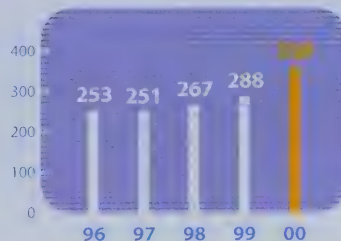
Approximately 80% of SHAW's subscribers will be concentrated in Alberta and British Columbia, which will create significant economies of scale for SHAW.

[†] Reflecting exchange of SHAW's Ontario and New Brunswick cable systems for Rogers Communications Inc.'s Greater Vancouver cable systems. * In systems where Tier III is available.

Cable Revenue
(\$ millions)



Cable Operating Income
(\$ millions)



cable operations

For over 30 years, SHAW has been growing as Canada's premier cable provider – and fiscal 2000 was no exception. Once again, strategic acquisitions and other initiatives combined with innovative service enhancements and creative marketing enabled the Cable Division to achieve impressive operating and financial results.

SHAW's operating strategy has always been to remain a low-cost service provider while expanding its operations in order to provide more services to more households and businesses in Canada. An integral part of SHAW's strategy is understanding its customers and providing each customer with high-quality, high-value entertainment, information and communications services through the strength of SHAW's people and technology.

UNDERSTANDING EACH CUSTOMER

SHAW strives to understand each of its customers' profiles, perceptions and preferences on a customer-by-customer basis. Through the enhancement of its customer service information system, SHAW provides information at each level of customer interaction, whether it is through customer service representatives, installers, web transactions or front-line contact through SHAW's retail centers or local market campaigns. As a result of the feedback received from its customers, SHAW has introduced a number of initiatives:

Bundling for Better Value

To offer its customers more choice, SHAW created two bundled services. In September 1999, SHAW introduced the *Total Entertainment Package*. Customers who purchase a DCT for \$349.00 can receive a package of services including basic and extended tier, five U.S. Superstations, Pay-TV movie services TMN/Superchannel multiplexes, free additional outlets and 40 channels of DMX/GALAXIE digital music for \$49.95 per month. In addition, in December 1999, SHAW introduced the *Internet/Digital Cable Package*, combining the value of the *Total Entertainment Package* with high-speed Internet, Shaw@Home, plus MovieMax! and a second IP address for \$89.95 per month.

Immediate Accessibility

People have less and less free time and, as a result, customers demand service on *their* terms and schedules. That's why, as of December 1999, SHAW made it possible for its customers to view their statement of accounts as well as use their credit card to pay their bills any time, day or night, on the www.shaw.ca site.

EVEN MORE CUSTOMER CONNECTIONS

SHAW's future developments for e-commerce include online viewing of installation schedules and online booking of service calls and new installations for SHAW's high-speed Internet service, Shaw@Home and Digital Cable. Customers may choose to receive a bill notification via email rather than traditional ground mail. Through such advanced tools as an interactive website, customers will be able to provide the direct feedback SHAW needs to refine its products and services.

To establish new connections with customers, SHAW has continued the launch of retail outlets in most of its service areas. Located in high-profile shopping malls and its existing cable offices, these retail centers and kiosks provide a convenient point-of-presence for customers and offer an additional marketing platform for SHAW's products and services.

As well, SHAW has focused its attention on retail relationships to promote and sell its Internet and Digital Cable offerings. In 1999, SHAW partnered with key retailers such as Future Shop, A & B Sound and Radio Shack to offer SHAW products and services through point-of-purchase displays in their stores. This strategy focuses on offering SHAW cable-related products and services in attractive bundles at very competitive

cable operations

price points. For example, this year Dell Computer Corporation included one year of free Shaw@Home service with certain of its computer systems. In September 2000, IBM began offering exclusive discounts on its online purchases of IBM products to Shaw@Home subscribers.

SHAW EMPOWERS EMPLOYEES

Customers expect personalized and high levels of service. To provide employees with the skills and means to provide our customers with a positive SHAW experience, the Company has implemented a number of incentive pay and training programs. For example, SHAW's training and orientation program, Cable University, emphasizes interpersonal and customer communication skills and a knowledge of all aspects of the business.

This past year, SHAW also recognized the contributions of the Call Center personnel who are frequently the Company's first and most important link to new customers. These "front liners" received an enhanced incentives-based pay program designed to reward them for their individual sales contributions to the Company.

DELIVERING NEW SERVICES THROUGH TECHNICAL ACCELERATION

In an extremely competitive industry, SHAW maintains its market leadership through technological and service innovation coupled with the best in customer service. SHAW is committed to growing its customer base and ensuring that every SHAW customer enjoys an ever-improving, always-expanding service offering.

In fiscal 2000, SHAW continued aggressive network upgrades, including the extensive use of fiber optic technology to maximize bandwidth and channel capacity. The network now provides two-way access to 70% of our customers and digital-ready service to 95%, with over 160,000 SHAW customers already making the choice to go digital. Two-way networks enable SHAW to offer expanded interactive services such as Shaw@Home high-speed Internet, impulse pay-per-view and digital cable services to its customers. In the near future, SHAW will further leverage its technologically advanced, broadband cable infrastructure by offering new enhanced services such as Internet-based interactive TV and near video-on-demand.

At August 31, 2000, SHAW Digital Cable was available in over 30 cities and had attracted over 160,000 subscribers. SHAW Digital Cable delivers up to 200 channels of unmatched picture and sound quality, up to 40 channels of DMX/GALAXIE digital music in Dolby Digital (AC-3) sound and customized programming – including the new programmable interactive program guide, Navigator. The digital choice has been easy for our customers. There are no antennas, no dishes to bolt to the home, no rewiring and no concerns with weather interference. In addition, customers continue to receive regular cable programming on every television in the home.

WIDER CHOICE; PERSONAL CHOICE – ENDLESS POSSIBILITIES

SHAW's commitment to offer its customers more choice was furthered this year with the expansion of its pay-per-view service to 50 plus channels for the enjoyment of Digital Cable customers seeking more value for their entertainment dollar. SHAW has invested over \$7 million in phase one of its national server-based distribution network to introduce the expanded pay-per-view offering. SHAW's decision to more than triple its pay-per-view services demonstrates the Company's commitment to digital cable technology and an intention to deliver an increasing number of interactive services to SHAW customers.

Around the world in 80 days ...



That's what it felt like trying to visit my favourite vacation sites with my dial-up connection. Now, with Shaw@Home high-speed Internet it's around the world in nanoseconds. Hang on Jules Verne!

now the possibilities are endless



shaw@home highlights

Provides **high-speed** Internet access for residential subscribers through cable modems.

Provides **high-speed** Internet access for small- to medium-sized businesses through SHAW Business Modem.

Shaw@Home is gaining **500** new customers each day.

Over **280,000** Shaw@Home customers at August 31, 2000.

North American leader in the provision of high-speed Internet access with **16%** penetration.

Internet is the fastest growing new technology, reaching a **25%** market penetration in only 7 years.

Cable modem technology is **4 times** faster than high-speed phone connections and 100 times faster than dial-up.

Approximately **90%** of homes passed up – graded to two-way.¹

¹. Adjusted to reflect pending cable asset exchange with Rogers Communications Inc.

Consumer demand for high-speed Internet access is the fastest-growing segment of the home/small business market.

- SHAW will continue its market leadership by providing superior value through high-speed Internet access, broadband content, exceptional service and affordable monthly costs.
- As the Canadian company with one of the most advanced, user-friendly Internet Protocol-based networks in the world, SHAW intends to remain at the forefront of the *connected* revolution.

Smaller and less expensive personal computers, digital television sets and other Internet appliances will become more readily available.

- SHAW projects over the next five years, as Internet appliances proliferate, that 45% of its customers will have some form of Internet access.

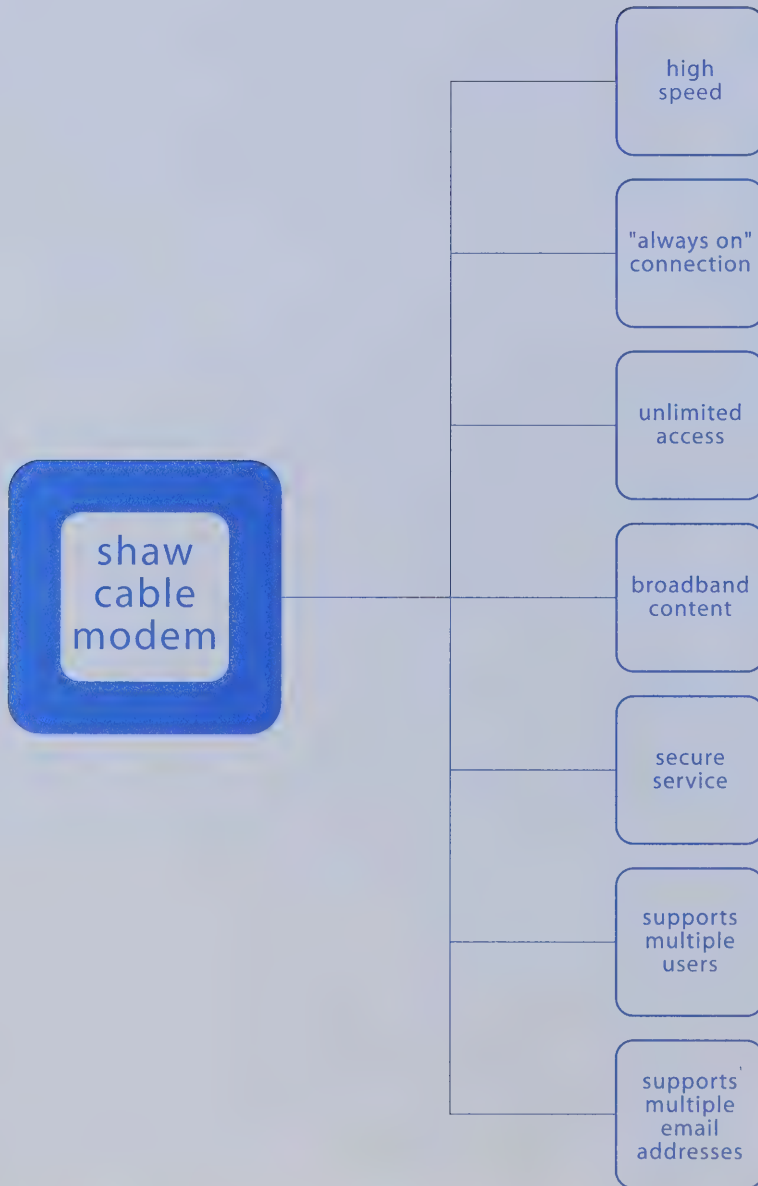
The CRTC has opened third-party access to the high-speed network of cable companies.

- As evidenced in the wireless market, increased competition could result in accelerated demand for high-speed Internet services via cable, speeding growth in the industry and benefiting all providers.

Increased pressure on providers to provide high-quality service to their customers in a competitive environment.

- SHAW will intensify its marketing activities to communicate the advantages of the Shaw@Home service over DSL and traditional dial-up services.
- SHAW will leverage its existing and future cable system infrastructure to enable it to continue to offer exceptional customer service at an affordable monthly cost.

shaw@home cable modem

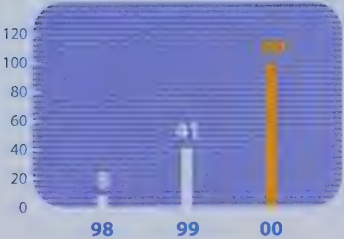


PRO FORMA SUBSCRIBER STATISTICS AS AT AUGUST 31, 2000†

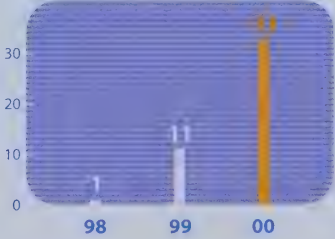
Connected and scheduled installations	Two-Way Homes Passed	Subscribers	Penetration
Vancouver Island including Victoria/Duncan/Nanaimo	278,629	44,472	16.0%
Vancouver/Kamloops/Chilliwack/Kelowna/Penticton/Vernon	904,032	113,686	12.6%
Calgary/Red Deer/Edmonton/Hinton/Fort McMurray/Lethbridge area	636,767	110,136	17.3%
Saskatoon/Prince Albert	91,495	14,684	16.0%
Winnipeg/Sault Ste. Marie	96,074	11,853	12.3%
Dartmouth & Bedford/Sackville	50,000	5,894	11.8%
Total cable systems	2,056,997	300,725	14.6%

† Reflecting exchange of SHAW's Ontario and New Brunswick cable systems for Rogers Communications Inc.'s greater Vancouver cable systems.

Internet Revenue
(\$ millions)



Internet Operating Income
(\$ millions)



Shaw@Home once again continued its exceptional performance by more than doubling its customer base in fiscal 2000 – and in the virtual world of the Internet, the possibilities are virtually endless.

Shaw@Home is available to approximately 1.7 million SHAW customers and, in the three years since its introduction, has already achieved a penetration rate of more than a quarter million customers. The rate of customer growth continues to be one of the highest among leading North American cable companies, with the current growth rate of new @Home customers averaging 500 per day. The acceptance to the introduction of Shaw@Home in new areas has been outstanding. For example, 1,458 Prince George, B.C. residents signed up to receive the Shaw@home service on the day it was launched, representing a 4.7% penetration rate.

COMMITTED TO BEING NUMBER 1 IN NORTH AMERICA

SHAW is committed to being North America's number one high-speed Internet service provider (ISP). Every day, the Company makes Shaw@Home faster or better by upgrading its network and by offering the best content and interactivity available anywhere.

Shaw@Home's service is four times faster than other services such as high-speed phone connections (also known as DSL) and 100 times faster than traditional dial-up services because of the inherent advantages of cable modem technology and Shaw@Home's advanced network. The state-of-the-art Shaw@Home service is delivered via leading edge fiber optic technology, offering customers the fastest, most reliable and secure path to multimedia content on the Internet.

Flexible, Scalable, Premium Quality Services

As the popularity of Shaw@Home grows, the high capacity, flexibility and scalability of the fiber network ensures the highest quality Shaw@Home service is available to consumers today and for the foreseeable future. SHAW is able to scale the network practically and economically by uncombining and/or dividing nodes to accommodate increases in the number of users in a neighbourhood.

Exclusive Multimedia Content

The Shaw@Home service is one of the fastest on the market today and an industry leader in organizing content to put the best information at each customer's fingertips.

Using a cable modem to connect the customer's PC to the Internet, Shaw@Home customers gain access to one of the most secure connections to the Internet letting them transfer files, shop, bank, trade, invest, work or simply access the World Wide Web without delay or interruption. Shaw@Home customers never have to dial up, wait for slow modems or deal with busy signals. Easy and instant access is always just a double-click away through the @Home icon on each customer's desktop.

Shaw@Home contains extremely varied and sophisticated multimedia content including full-motion video, digital audio and multimedia produced by leading content providers such as CNN, Fox and CBC for video news; the NHL for hockey highlights; and Charles Schwab for financial highlights.

Wider Choice; Personal Choice – Endless Possibilities

This year, Shaw@Home introduced a new customizable browser that brings customers just one click away from personal choices of news stories, sports highlights, stock quotes, children's content and local information and weather. The browser features an easy-to-use magazine-style home page that houses up-to-the-minute information using full-motion video and streaming digital audio. Designed with the needs of SHAW customers in mind, the Shaw@Home service bundles many valuable and exciting products and services, including the latest versions of Netscape Navigator and Internet Explorer, as well as QuickTime videoplayer, RealPlayer and many of the latest multimedia plug-ins.

In December 1999, Shaw@Home introduced a remote access feature, whereby customers can now access Shaw@Home at work or on the road. By calling 1-877-DYL-HOME toll free, Shaw@Home users can retrieve email, read news, check newsgroups and surf the web anywhere in North America. The feature adds tremendous value to Shaw@Home customers – especially business people who need to access email and the Internet while travelling.

Exceptional Customer Service

Shaw@Home recognizes that each of its customers requires differing levels of assistance at any hour of the day. Shaw@Home's toll-free support line is open 24 hours a day, 7 days a week, 365 days a year. In addition, customers have the self-help option of the customer support site at <http://support.shaw@home.com>.

The migration to a broadband network and the huge success of Shaw@Home has resulted in the need for additional training for the technical staff. Shaw@Home installers are well qualified to maintain the quality customer service for which SHAW is known. An independent customer satisfaction survey rated Shaw@Home the number one high-speed Internet service in categories ranging from installation to support and reliability.

Making Connections to the Future

With increasing demand for bit-intensive content and the web's transition to an entertainment and transactional medium, the demand for broadband access is growing exponentially. Shaw@Home's network offers the best mix of capacity, flexibility and economics to deliver this bandwidth-intensive multimedia.

In 2001, SHAW plans to expand its Internet business with the introduction of a new television-based Internet service. Interactive television presents the opportunity for new and exciting product and service offerings including enhanced program guides; personalized news; interactive broadcasting; the World Wide Web on television; interactive advertising which provides each customer with the opportunity to order a product on-line with the simple click of a button; email and chat features; and access to an extensive assortment of e-commerce sites.

When Dave told me he was moving to the Yukon ...



I remember joking that they only get one channel "up there." Now, with Star Choice he has the same as I do!

now the possibilities are endless



satellite highlights

SHAW's acquisition of **Cancom** provides an unprecedented broadband growth opportunity.

Cancom is Canada's **largest satellite services company** – with multiple complementary revenue streams, all from a single infrastructure cost base.

Star Choice has almost doubled its subscriber base in the past year to **450,000** subscribers.

In fiscal 2000, Star Choice added **60 new services**, now offering more than 200 video and audio channels.

Cancom Broadcast Solutions (CBS) increased its customer base by almost **50%**.

CBS has introduced **Cable Plus** and **HITS**, allowing smaller cable operators to offer digital services.

Cancom Tracking Solutions (CTS) increased the number of trucks using satellite tracking by **18%**.

Cancom Learning Solutions (CLS) entered U.S. market to provide private satellite **Interactive Distance Learning Networks**.

Cancom estimates that over 4 million Canadian residential subscribers will not have access to any terrestrial-based broadband Internet service by the year 2005.

- With the new satellite platforms, Ku-band (expected rollout in first half of 2001) and Ka-band (available 18 – 24 months after Ku-band service launched), Star Choice will enter this untapped market.
- Star Choice will provide competitively priced, bundled Internet and satellite services from a single cost structure.

The CRTC has received over 400 applications for new digital specialty services, with expectations of new launches in 2001.

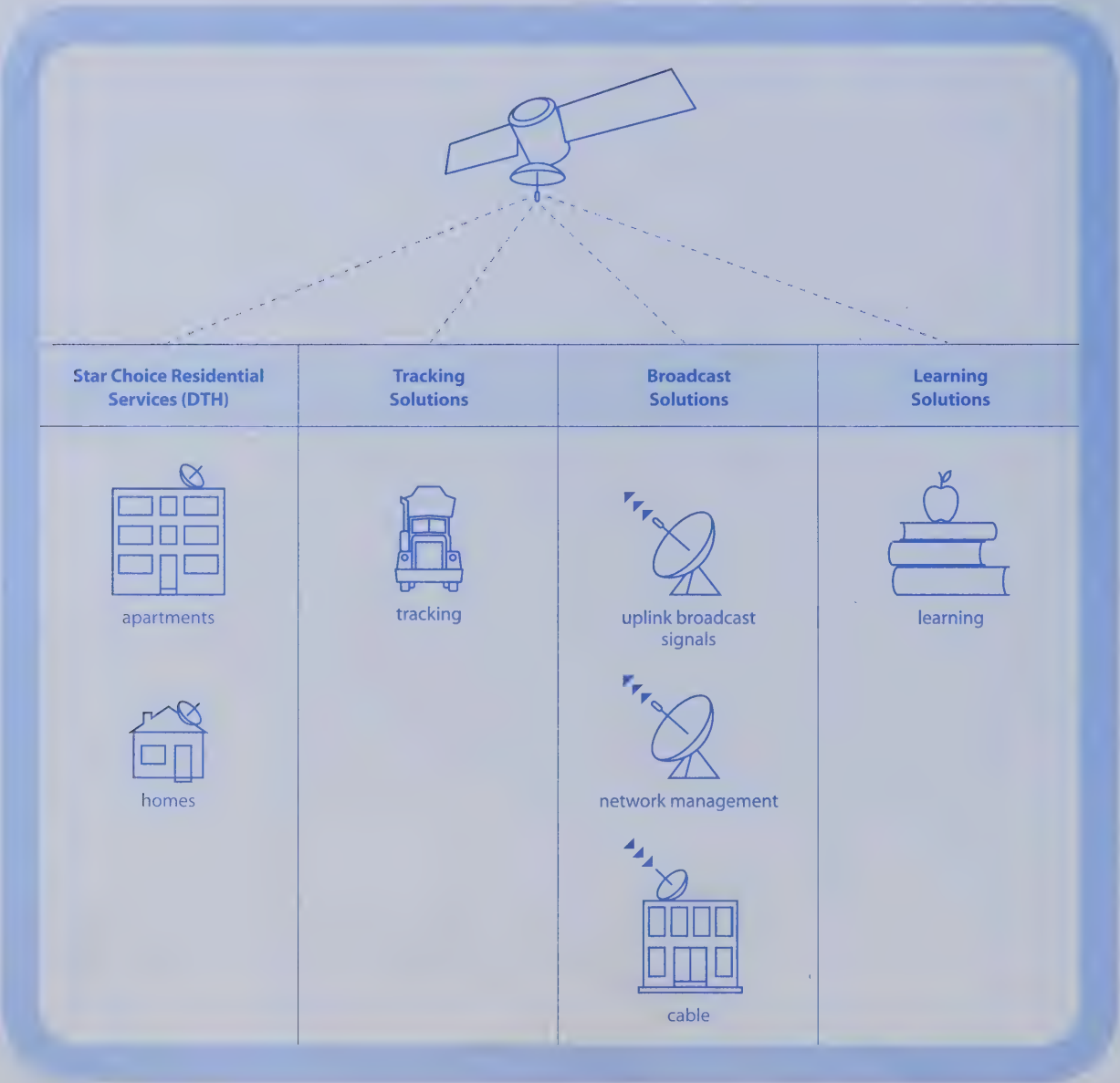
- Future satellite capacity will allow Star Choice to increase its number of channels to over 300 by the spring of 2001 and to over 400 by late 2002.
- CBS will implement Cable Plus and HITS in all client cable systems across Canada, allowing small- to medium-sized cable clients to enter the expanding digital universe.
- CBS's customer broadcaster base will expand, enabling CBS to grow as the digital specialty services grow.

Increased pressure to provide high-quality service to retain customers in a competitive environment.

- Star Choice will continue its successful customer retention program that consistently achieves churn rates well below U.S. levels.
- Star Choice will expand its channel line-up, start testing new services such as interactive TV and offer digital Personal Video Recorder (PVR) services.

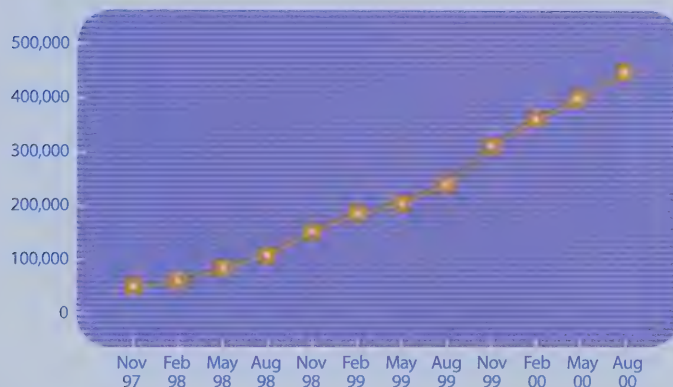
Opportunities for growth in new markets and new services.

- With the launch of Anik F1 in the fall of 2000, CLS will accelerate growth into the U.S. IDL market.
- New satellite-enabled desktop products will expand CLS market into small business and home users.



SUBSCRIBER STATISTICS AS AT AUGUST 31, 2000

Growth in Star Choice DTH Subscribers



1999 Satellite Revenue†

(\$ millions)

Broadcast,
Learning, Tracking,
Data, and Voice
Revenue
\$ 109



DTH
Revenue
\$ 146

TOTAL \$ 255

† Before elimination of interdivisional revenues.

2000 Satellite Revenue†

(\$ millions)

Broadcast,
Learning, Tracking,
Data, and Voice
Revenue
\$ 141



DTH
Revenue
\$ 256

TOTAL \$ 397

† Before elimination of interdivisional revenues.

satellite operations

Cancom, with its wholly owned subsidiary, Star Choice, is Canada's largest satellite services company serving both residential and business customers. This dynamic satellite company has the critical size and financial resources to ensure the growth of multiple revenue streams from a common infrastructure well into a future of endless possibilities.

CANCOM – A COMPLETE SATELLITE SOLUTIONS COMPANY

Cancom is a satellite services company operating four primary businesses: (i) distribution of digital video and audio programming services via DTH satellite to Canadian residences and commercial establishments through Star Choice Residential Services (in terms of revenue and anticipated growth, this is Cancom's largest business); (ii) redistribution of television and radio signals via satellite to cable operators and other distributors and related network services through Cancom Broadcast Solutions; (iii) provision of satellite tracking and messaging services to the Canadian trucking industry and integration and management of satellite data networks with land-based telecommunications through Cancom Tracking Solutions; and (iv) establishment and maintenance of interactive satellite distance learning systems and corporate training and communication networks for private and public organizations through Cancom Learning Solutions.

The activities of Cancom's two largest business units, Star Choice Residential Services and Cancom Broadcast Solutions, are largely complementary. A majority of the signals distributed by Star Choice Residential Services to the DTH market can be distributed by Cancom Broadcast Solutions in the satellite relay distribution undertaking (SRDU), Uplink or HITS markets. Similarly, many of the signals historically distributed by Cancom Broadcast Solutions to the SRDU market may be made available directly to DTH subscribers. In this way, Cancom seeks to derive two distinct revenue streams from the digital video and audio signals on the satellite.

STAR CHOICE

Star Choice is one of two licensed DTH satellite providers distributing digital subscription video and audio programming services throughout Canada. It has achieved significant market penetration – growing to approximately 450,000 subscribers in fiscal 2000, an increase of 87% from last year.

Star Choice's programming packages are designed for maximum consumer appeal, interest and choice at competitive prices. These packages are sold through a Canada-wide distribution network of 4,000 retail locations across Canada, including Radio Shack, Canadian Tire, Sears, Future Shop, Leon's and The Brick. Star Choice manages the sales and distribution of digital DTH equipment by means of a master distribution arrangement with BXI. Star Choice and BXI together have developed local, regional and national distribution networks to maximize product availability in target markets. Star Choice has taken a disciplined approach in selecting the type and number of retailers distributing its product in order to achieve effective coverage of its target markets.

Star Choice offers the highest quality and most competitive equipment and programming packages available in Canada. Star Choice has built a strong retail brand that allowed it to hold its market share despite very intense competition. In fact, in August, Star Choice was leading the Canadian market signing up 55% of the country's new DTH customers. Also, its strong customer retention programs have resulted in a customer turnover well below U.S. levels.

Flying High Into a Future of Endless Possibilities

Cancom has secured long-term satellite capacity with Telesat Canada by acquiring 29 of the 32 North American Ku-band transponders on Anik F1, the world's most powerful commercial satellite that is planned to be launched in the fall of 2000. It has also secured 16 Ku-band transponders on Anik F2, which is scheduled for launch in late 2002.

The new capacity will allow Star Choice to expand its offerings to over 300 video channels in the spring of 2001 and 400 video channels in late 2002. It will also permit the delivery of interactive services on existing and advanced set-top receivers and opens the door for the future delivery of high-speed two-way Internet services over the satellite infrastructure.

Making Customer Choice Endless

The Star Choice's digital DTH customer may design his or her own unique entertainment experience, with a choice of programming packages designed to target and accommodate different segments of the Canadian subscription television market according to customer interests, primary language, income level and type of household. The Star Choice programming line-up offers virtually every television service that is available in Canada, including local over-the-air broadcasters, national networks, specialty channels, U.S. and foreign channels, adult programming and ethnic services. Star Choice will provide its customers with even more choice with the expansion of its channel line-up as additional transponder capacity becomes available through the migration to the Anik F1 satellite and the improvement of technology.

CANCOM BROADCAST SOLUTIONS

Cancom Broadcast Solutions is a digital multi-uplink broadcast distribution network providing a wide range of Canadian and U.S. TV and radio channels to distributors such as cable and DTH undertakings, as well as network management services to broadcasters and specialty services across North America and the Caribbean.

Three factors contributed to the strong growth achieved by Cancom Broadcast Solutions during the year:

- First, the successful consolidation of the Cancom and Star Choice wholesale redistribution and network management businesses.
- Second, the addition of a significant number of new network management customers including Alliance Atlantis Broadcasting, TVOntario, Headline Sports, the Family Channel, MovieMax!, Superchannel, Teletoon, Astral Media, the largest provider of English and French pay TV and pay-per-view services, Corus Premium services and Ontario Legislative Assembly.
- Third, the introduction of new products – including HITS (Head-End-in-the-Sky) and Cable Plus – that will allow small- and medium-sized cable operators to leave the analog world of 35 channels for the digital universe of up to 200 channels.

Recently, Cancom and Videon Cablesystems Inc. entered into an agreement to test Cable Plus which will allow communities with less than 3,000 cable subscribers to enter the digital world of 100 + television channels and CD-quality image and sound via cable and a small satellite dish feeding every single consumer set-top box. Cable Plus will also provide access to Canada's first High Definition TV channel.

CANCOM LEARNING SOLUTIONS (CLS)

Cancom Learning Solutions (CLS) is Canada's leading provider of private satellite television networks that deliver training and corporate communications for business and government agencies. CLS offers a complete solution, from the design and implementation of automated broadcast studios, to interactive distance learning systems that create a virtual classroom environment. The Star Choice small-dish satellite platform used by CLS permits customers to deliver secure satellite television broadcasts efficiently from across the continent. With the launch of the Anik F1 satellite, in early 2001, CLS customers will have access to space segments that can reach all locations in Canada, the U.S. and Mexico.

CANCOM TRACKING SOLUTIONS (CTS)

Cancom Tracking Solutions (CTS) provides continent-wide two-way mobile tracking, messaging as well as driver email for the Canadian trucking industry. CTS now serves 23 of the Top 25 Canadian trucking companies and services more than 25,000 trucks travelling throughout North America.

I've watched SHAW Ventures build an investment portfolio ...



which has contributed over \$1 billion of value to shareholders in no time at all. SHAW's leveraging of their cable and Internet infrastructures and investing in projects like Big Pipe have added enormous value to SHAW. Now, my investment is really paying off.

now the possibilities are endless



shaw ventures highlights

A new division formed to seek out **investment opportunities** in new technologies, services and products.

SHAW Ventures is **focused on broad-band** technologies, products, services and infrastructure.

In the past two years, Ventures has created **\$2.9 billion** in value through the sale, monetization and holding of investments originally costing \$1.4 billion.

Monetization of investments provides **a creative source** of financing for growth of business.

In February 2000, acquired a 23% interest in **GT Group Telecom** as a result of the FiberLink sale.

Significant investments also include Terayon Communications Systems and 360networks inc.

Big Pipe Inc. will provide a **national fiber backbone** for SHAW's broadband Internet services and a terrestrial network for future Internet via satellite.

When completed, Big Pipe's fiber network will encompass **6,302 fiber route kilometers** or **69,213 fiber strand** kilometers across North America.

The accelerating demand for high-speed Internet will increase the need for high-quality, high-capacity connectivity to major North American peering points & NAPS.

- Big Pipe will fill this demand with its investment in a national fiber backbone for broadband Internet services. A total of \$350 million will be invested in the network over the next two to three years.

There is tremendous growth potential for the smaller and less expensive Internet appliances.

- By creating a division focused on new opportunities in this emerging market, SHAW ensures *ground floor* access, enabling rapid and continuous portfolio value enhancements.

Strategic relationships with leading technology providers will be required to keep up with the latest advances in communications and technology.

- SHAW Ventures will be able to leverage SHAW's knowledge of the cable and Internet industry to evaluate new investments and the cable and Internet divisions will be able to leverage their relationships with future technology partners, through SHAW Ventures' investigation of potential technology investments.

Advances in technology provide excellent opportunity to enhance shareholder value.

- SHAW Ventures provides an early view on "Leading Edge" technologies associated with broadband opportunities.

shaw ventures big pipe

- SHAW fiber route
- ... SHAW fiber under construction
- 360networks fiber route and shelter sites



GROWTH IN VALUE OF VENTURES OVER THE PAST TWO FISCAL YEARS

Investment	Unrestricted shares (number)	Restricted shares and warrants (number)	Total (number)	Market value as at August 31, 2000 ⁽¹⁾ (\$000,000s)	Website
GT Group Telecom	–	29,096,097	26,096,097	684	www.gt.ca
Terayon	3,000,000	3,000,000	6,000,000	490	www.terayon.com
360networks	–	8,906,688	8,906,688	234	www.360.net
Moffat	4,462,460	–	4,462,460	136	www.moffat.ca
Liberate	1,014,160 ⁽²⁾	233,334	1,247,494	54	www.liberate.com
Liberty Digital	1,372,000	–	1,372,000	50	www.libertymedia.com
Motorola	–	850,132 ⁽³⁾	850,132	45	www.motorola.com
At Home Corporation	25,946	698,256 ⁽³⁾	724,202	16	www.home.net
Netpliance	–	1,475,000	1,475,000	12	www.netpliance.com
Other publicly traded companies				85	
Other non-public companies at cost				38	
Total portfolio value as at August 31, 2000				1,844	
Monetization of investments over the past two fiscal years				1,023	
Total value of monetization and portfolio holdings over two years				2,867	
Less original cost of investments held or monetized⁽⁴⁾				1,436	
Growth in value over two years				1,431	

(1) Excluding shares pledged as collateral for equity linked debentures and zero coupon loans.

(2) 1,000,000 shares were monetized for U.S. \$28.9 million subsequent to year-end; balance sold.

(3) Warrants vest on December 31, 2000.

(4) Includes cost of exercising unexercised warrants.

Big Pipe Network

SHAW will invest \$350 million over the next two to three years to create a primary Internet backbone for SHAW's broadband Internet customers. The network will have: 12 fibers on two diverse cross-Canada routes with North America POPs

6,302 fiber route kilometers

69,213 fiber strand kilometers

SHAW Ventures was established within SHAW in February 2000 to seek out new investment opportunities that are strategic to SHAW's existing cable and Internet operations – achieving maximum leverage for SHAW's investment portfolio into a future of endless possibilities.

SHAW Ventures' strategic investment program is focused on maximizing the Company's existing and future investments in technology, Internet, interactive television, e-commerce, t-commerce and telecommunications.

SHAW's ability to leverage off its existing cable infrastructure has created an investment portfolio with a market value in excess of \$1.8 billion (as of August 31, 2000) from an initial investment of \$1.0 billion. These investments have provided SHAW with an important source of financing through sales and monetizations of portions of the portfolio. Its proven track record for building successful businesses, providing capital through equity investments and adopting new and innovative technologies is evidence of the Company's ability to create value as a strategic partner in emerging technologies.

SHAW Ventures portfolio includes positions in the following companies:

- Terayon Communications Systems (NASDAQ:TERN) provides broadband systems and solutions for the delivery of advanced voice, data and video services over cable, telco and satellite networks.
- 360networks inc. (NASDAQ:TSIX – TSE:TSX) provides broadband network and co-locations services to telecommunications and data communications companies.
- GT Group Telecom Inc. (NASDAQ:GTTLB – TSE:GTG.B) is Canada's largest independent, facilities-based competitive local exchange carrier.
- Liberate Technologies (NASDAQ:LBRT) is a leading provider of a complete software platform for delivering content and applications to set-top boxes and game consoles.
- Liberty Digital Inc. (NASDAQ:LDIG) is a diversified new media company with investments in Internet content, infrastructure and interactive television. The company also owns Digital Music Express (DMX), which programs, distributes and markets continuous commercial-free CD-quality music.
- OpenTV Corp. (NASDAQ:OPTV) provides software that enables digital interactive television through set-top terminals throughout the world, enabling viewers to access real-time statistics, purchase various items and perform banking transactions.
- Motorola, Inc. (NASDAQ:MOT) provides integrated communications solutions and embedded electronic solutions offering software-enhanced wireless telephones, two-way radios, messaging and satellite communications products and systems, as well as networking and Internet-access products.
- Netpliance, Inc. (NASDAQ:NPLI) offers Internet-based content, applications and services through devices specifically designed for Internet access, commonly known as Internet appliances.

SHAW Ventures is responsible for overseeing SHAW's current portfolio of investments, including its interests in GT Group Telecom. In addition, SHAW Ventures will be responsible for the management of Big Pipe Inc.

Big Pipe Inc. was established in July, 2000 to develop and operate a national fiber backbone for broadband Internet services. In addition to being the primary Internet backbone for SHAW's broadband Internet customers, Big Pipe's facilities will also be available to those organizations that require access to the Internet.

When completed in approximately three years, Big Pipe's fiber network will extend connectivity to all the major Internet National Peering Points (NAPs) in Canada and the U.S., providing fast, reliable access to the Internet and the World Wide Web.

shaw ventures operations

The Big Pipe network employs the dark fiber platform currently being deployed by 360networks and includes 12-fiber capacity on two diverse cross-Canada/North American routes encompassing 6,302 fiber route kilometers or 69,213 fiber strand kilometers.

As one of the most extensive fiber networks in North America and with complete access to SHAW's existing fiber and cable infrastructure, Big Pipe is anticipated to be one of the lowest-cost providers in the industry. The market for Big Pipe's IP infrastructure is large and growing. It includes all North American cable companies and broadcasters as well as major corporations and governments. Currently operating on leased fiber capacity, Big Pipe's sales and marketing teams are in place and active in both Canada and the United States.

shaw in the community

SHAW and its people seek to make a positive difference in the communities SHAW serves. That is why SHAW is always active in community and charitable activities, community programming, sponsorships and in many other ways.

SHAW PHILANTHROPIC PROGRAM

SHAW maintains its philanthropic participation through a variety of programs, including the Teddy Bears for Children in Distress Program, the Community Initiatives Program and the Quarterly Grant Program. Under the Community Initiatives Program, cable systems are involved in their communities through various donations and sponsorships, including ShawTV coverage of amateur sports and cultural events and sponsorship of festivals, community events and sports teams. At the corporate level, SHAW's donation committee meets regularly to consider grant applications, with emphasis on those campaigns involving children and/or education and those which support initiatives in the communities in which SHAW operates. Recent projects supported by SHAW include the SHAW Millennium Park in Calgary, a \$1.9 million commitment over 4 years, and the Kelowna Campaign for Cancer Care.

CABLE-IN-THE-CLASSROOM

Launched in 1995, this national initiative aims at educating students and parents about the enriched learning opportunities available through screen-based learning materials. Operated as a non-profit corporation, Cable-In-The-Classroom is a public service effort funded by a majority of Canadian cable operators and program providers. As a member, SHAW is committed to the distribution of educationally relevant, copyright-cleared, commercial-free English and French language cable television programming services. To this end, the Company provides continuous cable service to each publicly funded school in SHAW's license areas at no charge.

SHAW CHILDREN'S PROGRAMMING INITIATIVES (SCPI)

SHAW understands its responsibility for ensuring that children have access to programs that not only entertain, but also stimulate creativity, imagination and learning. That is why, in 1994, the SHAW Fund was established. This initiative makes financial assistance available to programming designed for children under the age of 13.

In July 1995, SHAW created the Dr. Geoffrey R. Conway Programming Fund. Preference is given to quality programming which is original, has demonstrated audience appeal, is in both English and French, provides closed captioning for the deaf and hearing impaired and promotes positive role-modeling and cross-cultural representation. Since 1994, the two funds have committed over \$19 million for the development and production of 245 projects, many of which have gained national and international recognition.

Since the introduction of the SHAW Television Broadcast Fund (STBF) in 1999, SHAW has reinforced its commitment to the production of high-quality programming for children and families by joining with STBF funding partners Star Choice and Eastlink Cable Systems to contribute \$8.9 to fund 55 productions.

SHAW believes that television should be an enriching, positive part of childhood. SCPI and STBF will help to ensure that each child has the opportunity to learn and grow through their participation in the development of quality programming for children.

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

OVERVIEW OF FISCAL 2000 CONSOLIDATED RESULTS

Consolidated revenue was \$971 million, an increase of 36.9% over 1999, while operating income before amortization of \$397.7 million represented a 28.3% increase over last year. The increase in revenue and operating income is principally due to cable system acquisitions, cable subscriber growth and rate increases and the continued outstanding performance of the Shaw@Home Internet access service, which more than doubled its customer base in the current year. The inclusion of Cancom operations for two months contributed to the increase in revenue; however, there was a negative impact on operating income as Cancom is, as anticipated, experiencing operating losses due to the early-stage deployment and growth of the Star Choice DTH business.

Amortization expense increased during the year to \$222.7 million primarily as a result of consolidation of Cancom results and the high level of cable and Internet capital expenditures in the past few years. Amortization of deferred IRU revenue resulting from the sale of the FiberLink operations was approximately \$3 million in the current year. Shaw granted an indefeasible right to use certain specifically identified existing fibers in the Company's fiber optic cable networks for 60 years. The prepayment on the IRU of \$525.2 million, in the form of cash plus shares of GT Group Telecom Inc., is being amortized into income on a straight-line basis over this period.

During the year, the Company realized pre-tax gains on sales of investments in a number of companies amounting to \$143.2 million. In addition, Shaw monetized a portion of its investment portfolio through the issuance of equity-linked debentures and a zero coupon loan. Shaw plans, subject to market conditions, to continue this strategy in the upcoming year in order to maximize shareholder value. The Company also realized a dilution gain of \$33.2 million in respect of its investment in GT Group Telecom Inc. during the year. This gain arose as a result of issuances of equity by GT subsequent to Shaw's investment, which reduced Shaw's ownership in that company to approximately 23% from 30.7%.

The FiberLink sale, which was completed during the second quarter, resulted in a pre-tax gain of \$88 million.

During the third quarter, Shaw redeemed all of its previously outstanding private placement debentures at a pre-tax cost of approximately \$98 million (after tax approximately \$46.5 million). The main components of this amount, which is a non-recurring charge, were debt breakage fees paid to the former lenders in the amount of \$81.7 million and the write-off of net deferred charges related to the debentures (representing a non-cash charge) of \$7.4 million. To refinance these debentures, the Company issued U.S. \$440 million 8.25% senior notes due 2010 and Cdn. \$275 million 7.05% senior notes due 2005. The effective interest rate on the previous debentures, which were secured and contained a number of restrictive financial covenants, was approximately 10.7%. The new senior notes have an effective rate of approximately 7.6%, thereby offsetting the one-time cost of the redemption to a great extent, and are unsecured. The Company also renegotiated its syndicated credit facility and it too is unsecured. This new debt structure has resulted in Shaw having significant flexibility to tap new markets and capitalize on future opportunities.

Interest expense was \$121 million in 2000, an increase of \$21.1 million over last year. The increase was primarily due to new borrowings required to finance business acquisitions and capital expenditures, increases in short-term interest rates and assumption of the 11% Fundy Cable Ltd. U.S. \$100 million notes. The Company will be redeeming the Fundy U.S. notes on November 15, 2000, and refinancing this amount with the proceeds of a Canadian senior note issue with an interest rate of 7.4% which was completed on October 17, 2000.

Non-controlling interest of \$3.5 million mainly represents the minority interests in the net loss of Canadian Satellite Communications Inc. The investment in Cancom was accounted for on the equity basis until June 30, 2000. Pursuant to the CRTC decision approving Shaw's control of 62.6% of Cancom, the Company commenced the consolidation of Cancom's results effective July 1, 2000. As a result of the take-over bid for Cancom, the controlling interest increased to 94.3% at August 31, 2000.

Net income for the year ended August 31, 2000, was \$118.3 million. Earnings per share, determined after deducting after-tax entitlements on preferred securities, exchangeable debentures and zero coupon loans of \$33.1 million, were \$0.45. The after-tax per-share impact of investment transactions, the gain on sale of FiberLink and the debt restructuring costs was \$0.72 per share.

shaw2000 management's discussion and analysis

CABLE TELEVISION

Review of Results

	2000	1999	Change	%
<i>(\$000s, except per subscriber amounts)</i>				
Total revenue	781,800	637,107	144,693	22.7
Operating income before interest, amortization and income taxes	358,515	287,676	70,839	24.6
Operating income as % of total revenue	45.9%	45.2%		
Revenue per weighted average basic subscriber	\$ 442.00	\$ 419.00	\$ 23.00	5.5
Operating income per weighted average basic subscriber	\$ 203.00	\$ 189.00	\$ 14.00	7.4

Subscriber Statistics⁽¹⁾

		2000	1999	Change	%
Basic services:	Actual	1,809,292	1,792,680	16,612	0.9
	Penetration	73.9%	75.1%		
Full Cable Service ("FCS"):	Tier I	1,496,263	1,514,257	(17,994)	(1.2)
	Penetration as % of basic	82.7%	84.5%		
	Tier II	1,319,816	1,322,446	(2,630)	(0.2)
	Penetration as % of basic	73.0%	73.8%		
	Tier III	968,713	923,166	45,547	4.9
	Penetration as % of basic ⁽²⁾	60.5%	58.1%		
Digital subscribers		163,193	121,000	42,193	34.9
Pay TV subscribers:	Actual	145,609	114,473	31,136	27.2
	Penetration as % of basic	8.0%	6.4%		

(1) 1999 subscriber statistics adjusted to include subscribers at date of acquisition in systems acquired during 2000.

(2) In systems where Tier III is available.

The growth in revenue and operating income is primarily due to the following factors:

(a) The acquisition of the New Brunswick, Nova Scotia and Squamish, B.C. cable systems in the current year and the full year inclusion (versus three months last year) of the 1999 purchase of the Chilliwack, B.C. cable systems. These acquisitions account for approximately 65% of the revenue growth in the 2000 fiscal year.

(b) Monthly basic and extended tier rate increases implemented during the year generated approximately 20% of the increase in revenue in the 2000 fiscal year.

(c) Overall subscriber growth in basic, extended tier and Pay TV service customers. The Alberta, Ontario and Nova Scotia systems experienced the most significant basic subscriber growth during the 2000 fiscal year. Basic subscriber growth is projected to be in the range of 1% in the 2001 fiscal year, consistent with the past two years' experience.

(d) An increase of 36.1% in pay-per-view revenue to \$9.1 million in the current year, the direct result of the roll-out of digital cable and the successful introduction of the Total Entertainment Package.

shaw2000 management's discussion and analysis

Cable operating expenses consist of the following:

Cable Operating Expenses

	2000		1999	
	Total	Amount per subscriber	Total	Amount per subscriber
<i>(\$000s, except per subscriber amounts)</i>				
Operations and administration	169,242	\$ 96	147,186	\$ 97
Network fees	190,854	107	149,015	98
Signal delivery, agreement and franchise charges	27,823	16	23,021	15
Copyright	16,311	9	13,745	9
Cable production fund	19,055	11	16,464	11
	423,285	\$ 239	349,431	\$ 230

The increase in the absolute amount of the cable expenses of approximately 22% reflects the 16% growth in Shaw's customer base through system acquisitions and natural growth as well as the addition of new basic, extended tier and Pay-TV subscribers and increased pay-per-view sales. The main components of the increase in per subscriber network fees were:

(a) New basic and digital tier network fees (approximately \$4.00 per subscriber).

(b) Program supplier fee increases (approximately \$2.00 per subscriber).

System Acquisitions

The Company made the following acquisitions during the 2000 fiscal year:

(a) Effective September 1, 1999, Shaw purchased a 75% interest in Access Communications Inc. and 100% of Access Communications Bedford/Sackville Ltd. The two companies operated the cable television systems serving Dartmouth, Bedford/Sackville and area in Nova Scotia, and had 71,024 basic subscribers at the date of purchase. Access Communications Inc. also has a 45% interest in Halifax Cablevision Ltd., which operates the cable television system serving 70,449 basic subscribers in Halifax and a number of other communities in Nova Scotia at August 31, 2000.

(b) Effective November 1, 1999, Shaw acquired Fundy Communications Inc., which operated cable television systems in New Brunswick serving 185,829 subscribers at that date.

(c) Effective June 30, 2000, Shaw acquired the cable television systems serving 3,650 subscribers in Squamish, B.C.

System Exchange

The Company has agreed, subject to CRTC approval, to exchange its southwest Ontario and New Brunswick cable systems serving approximately 609,000 subscribers plus cash of approximately \$76 million for the Vancouver and area cable systems in British Columbia operated by Rogers Communications Inc. which, at August 31, 2000, served approximately 625,000 basic subscribers. In addition, at August 31 the Vancouver systems had approximately 92,000 cable Internet subscribers compared to approximately 74,000 in the Shaw systems being acquired by Rogers. Projected annual revenue in the Vancouver systems, based on July 2000 results, is approximately \$310 million versus \$285 million for the Ontario and New Brunswick systems. The system exchange will result in Shaw having 80% of its customer base in British Columbia and Alberta, which is anticipated to result in significant operational and administrative synergies.

Competition and Technological Change

Shaw's cable television business faces competition from entities utilizing other communications technologies and may face competition from other technologies being developed or to be developed in the future. In addition, recent regulatory and public trends favor the emergence of a more competitive environment.

Shaw's cable television systems generally compete with the direct reception of over-the-air local and regional broadcast television signals by antenna, and either compete or may in the future compete with other distributors of television signals to homes for a fee, including DTH satellite services; satellite master antenna systems (SMATV); multichannel, multipoint distribution systems

(MMDS); local multipoint communications systems (LMCS); and telephone companies offering cable service.

On May 1, 1997, the CRTC announced that telephone companies would be eligible to hold full-scale broadcasting distribution licences as of January 1, 1998. As of June 16, 1997, telephone companies were permitted to file applications for broadcasting distribution licences. Accordingly, it is anticipated that Shaw's cable systems may in the future face competition from telephone companies. To date, two telephone companies, NBTel and Telebec, operating in the provinces of New Brunswick and Quebec, respectively, have been granted broadcasting distribution licences by the CRTC. NBTel is authorized to offer cable television service in parts of New Brunswick in which Shaw also offers such service. Following the proposed system exchange with Rogers, Shaw will no longer have operations in New Brunswick. Shaw does not provide cable television services in the province of Quebec.

In May 1997, the CRTC issued temporary broadcasting distribution licences to Bell Canada and Telus Corporation ("Telus") for the purpose of conducting market and technical trials. At the request of Bell Canada, the CRTC revoked Bell Canada's licences effective December 31, 1998. Telus, through its subsidiary, Telus Multimedia, was authorized to conduct two trials in the suburbs of Calgary and Edmonton to a total of 3,400 subscribers until May 31, 2000. The trials by Telus, which were conducted in areas served by Shaw's cable systems, were terminated on that date.

DTH delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to via broadcast, cable delivery or lower-powered transmissions. DTH services presently provide more channels than some of Shaw's cable systems and are fully digital. Two DTH operators, Star Choice and ExpressVu, are currently providing DTH services in Canada. Star Choice is a wholly owned subsidiary of Canadian Satellite Communications Inc. ("Cancom"), a subsidiary of Shaw.

MMDS delivers premium television programming by unobstructed line-of-sight microwave transmission to subscribers equipped with a special antenna. Historically, CRTC approval for MMDS service has been limited to a small number of rural areas in Ontario and western Canada. In October 1995, the CRTC announced that it would approve MMDS applications to compete with cable television service in a given service area. Subsequently,

the CRTC granted licences to Skycable Inc. and Image Wireless Communications to provide MMDS in certain cable service areas in Manitoba and Saskatchewan, respectively. The CRTC has most recently issued licences to Look TV and Look Tele to operate MMDS undertakings in southern Ontario and in Quebec and eastern Ontario, respectively. Look TV operates within the licensed service areas of Shaw's cable operations in parts of southern Ontario. Such operations are proposed to be transferred by Shaw to Rogers. Look TV has also applied to the CRTC for a licence to operate an MMDS undertaking in British Columbia.

LMCS utilizes the 28 GHz range to provide wireless services which may include "wireless" cable television, Internet access, video conferencing and other multimedia services. Industry Canada issued licences to MaxLink Communications and RegionalVision to offer LMCS services in different Canadian markets. MaxLink Communications (which, in July 1999, acquired the assets of WIC Connexus, another LMCS licensee) is authorized to provide LMCS service in large urban centers, whereas RegionalVision is licensed to serve smaller rural areas. MaxLink Communications currently provides services in Ottawa/Hull and has announced that it intends to launch commercial operations in Toronto, Montreal, Vancouver and Calgary. RegionalVision has not yet launched its operations. In order to offer programming services to subscribers in competition with incumbent cable licensees, LMCS operators must first obtain broadcasting distributing licences from the CRTC. None of the LMCS service providers has, to date, been licensed by the CRTC to operate a broadcasting distribution undertaking.

None of these competitors has had a material impact on Shaw's operations. Approximately 90% of Shaw's cable systems are concentrated in major urban markets having favourable demographics and growth potential, with the remainder in smaller clusters, linked via fiber optic distribution systems either to each other or to larger markets. Through this clustering strategy, Shaw maximizes the benefits of operating efficiencies, enabling it to be a low-cost service provider, which is a necessary component in strengthening its competitive position. In addition, Shaw plans to continue the deployment of new technologies to increase channel capacity, to take advantage of its existing infrastructure to expand the range and quality of its services and to expand its programming and communication service offerings.

shaw2000 management's discussion and analysis

INTERNET

Review of Results

	2000	1999	Increase	%
(5000s)				
Total revenue	98,902	40,714	58,188	142.9
Operating income before interest, amortization and income taxes	33,359	10,586	22,773	215.1
Operating income as % of total revenue	33.7%	26.0%		

Shaw@Home customers

	2000	1999	Increase	%
Two-way homes passed	1,742,000	1,423,000	319,000	22.4
Connected and scheduled installations	282,578	130,841	151,737	116.0
Penetration of two-way homes passed	16.2%	9.2%		

Shaw@Home's customer base more than doubled in the current year as the service continued to be recognized as the fastest and most reliable way to access the Internet. The significant growth in @Home customers has resulted in the increase in revenue, and operating income more than tripling in the current year. Shaw continues to be the leading North American supplier of cable-delivered Internet services, with penetration of two-way homes passed in excess of 16%. This level is projected to reach 18% by December 31, 2000, with penetration levels targeted to be 43% by December 31, 2003.

Competition

The principal competitors to Shaw's @Home Internet service are tele-

phone companies and other Internet service providers ("ISPs") who operate telephone dial-up Internet access services. The @Home service access speed is significantly faster than its competitors' services, which has proven to be an important competitive advantage. The ISPs have requested access to cable companies' facilities to use the network to deliver their services, and on August 21, 2000, the CRTC announced it had set the rate for ISP access at \$21.25 per end user per month. There are additional unresolved issues related to implementation of the service and fees to be charged to the ISPs, and the CRTC has indicated it will be announcing further proceedings on these matters. To date, there has not been a great deal of interest by ISPs for either third-party Internet access or resale access services.

TELECOMMUNICATIONS

Review of Results

	2000	1999
(5000s)		
Total revenue	20,756	31,591
Operating income before interest, amortization and income taxes	7,321	11,611
Operating income as % of total revenue	35.3%	36.8%

The assets and operations of Shaw FiberLink were sold to GT Group Telecom Inc. ("GT") effective February 16, 2000. Big Pipe Inc. commenced operations late in the fourth quarter of fiscal 2000 and its results were not significant in the current year. Big Pipe's results will be accounted for commencing in the 2001 fiscal year.

Big Pipe Inc., a wholly owned subsidiary of Shaw, has entered into a capacity lease arrangement with 360networks inc. ("360net-

works") pending the construction of a national fiber network by 360networks. This network is currently under construction and will serve as the national platform for Shaw's broadband Internet services and an interconnection for high-capacity video servers to be situated in strategic clusters from Victoria to Halifax. The lease arrangement, which is in place for three years, provides interim broadband Internet backbone capacity for Shaw through Big Pipe,

shaw2000 management's discussion and analysis

which will oversee the operations of the network. Shaw's cable division will be Big Pipe's initial customer; however, Big Pipe is actively soliciting new customers for the excess capacity on the leased facilities

and ultimately for the new network on which Big Pipe will have an indefeasible right to use ("IRU") from 360 networks.

SATELLITE

Review of Operations

	2000
(\$000s)	
Total revenue	393,201
Operating loss before interest, amortization and income taxes	(23,824)
Net loss	(61,685)
Total impact on Shaw consolidated net income (net of non-controlling interest)	(26,991)
Per-share impact	(\$0.14)
Number of DTH subscribers at August 31	450,000

Effective September 1, 1999, Cancom and Star Choice merged, creating the largest Canadian satellite services company serving residential and business customers. Total revenue in the 2000 fiscal year was \$393.2 million compared to pro forma consolidated revenue of \$254.7 million last year, an increase of 54%. The most significant portion of the increase in revenue is due to Star Choice's customer growth of approximately 87%. Total DTH equipment and subscription revenue doubled to \$255.6 million (1999 – \$126.9 million) with revenue per subscriber in the 2000 fiscal year growing to \$40.05 (1999 – \$38.60) per month. During the year, Star Choice continued to enhance its program offerings both in terms of numbers of channels and technical quality, which allowed it to maintain its market share despite very intense competition. Cancom's operations are included in Shaw's results on an equity basis from September 1, 1999, to June 30, 2000, and on a consolidated basis for the final two months of the current year and on an equity basis (relating to losses incurred by Star Choice) for the year ended August 31, 1999. The data in the above table relate to the consolidated results of Cancom (including Star Choice) for the year ended August 31, 2000.

Cancom's other divisions – Broadcast Solutions, Tracking and Data Solutions and Learning Solutions – experienced strong growth as well. Highlights of these divisions' operations were:

(i) Cancom Broadcast Solutions' revenues at year end were \$73.1 million compared to \$52.5 million at the end of last year. Year over year, revenue for the fourth quarter period grew by 38.4% to \$19.1 million. This reflects the successful consolidation into this division of the Star Choice satellite-to-cable and network management

services businesses following its merger with Cancom.

(ii) Cancom Broadcast Solutions' Programming Services introduced Cable Plus and HITS, new products that use Star Choice's small-dish satellite technology to allow small and medium-sized cable clients to enter the digital universe of 90 or more channels, without incurring the high costs of a full digital upgrade.

(iii) The division's Network Services became the network management provider of choice for the vast majority of Canadian broadcasters. In the course of the year, this unit added 18 uplink customers for a total of more than 55 conventional and specialty broadcasters across Canada, including Alliance Atlantis' specialty services, Astral Media, the largest provider of English and French pay, specialty and pay-per-view television services in Canada; and Corus Premium Corporation's pay television and specialty programming channels. These new agreements alone will generate \$22 million in revenue over 5 years.

(iv) Cancom Tracking and Data Solutions had combined revenues of \$54.2 million at the end of this fiscal year compared to \$48.1 million last year. Cancom Tracking Solutions now serves 23 of the largest 25 Canadian trucking companies.

(v) Cancom Learning Solutions' revenue increased by 47% to \$12.9 million and its operating income grew by 76% in fiscal year 2000. The significant increase is due in large part to the fact this division entered the U.S. market through contracts with a major retail chain and an automotive manufacturer. It is also due to the integration of Star Choice's small-dish platform into the division's interactive training networks.

Competition

Cancom faces competition from a broad range of companies offering communications and entertainment services. Competitors include DTH satellite service providers; cable operators and other distributors; grey market service providers; and other organizations such as wireless operators, telephone companies and off-air television broadcasters. Cancom's DTH and cable competitors have pursued, and may continue to pursue, aggressive marketing campaigns and pricing policies targeting the existing customers of the Cancom digital DTH services business.

The success of Cancom's DTH business strategy is subject to factors that are beyond the control of Cancom and impossible to predict due, in part, to the limited history of digital DTH services in Canada. The digital DTH subscription television business has only recently been introduced in Canada. Consequently, the size of the Canadian market for digital DTH services, the rates of penetration of that market, the sensitivity of potential subscribers to the price of equipment, installation and subscription fees, the churn rate, the extent and nature of the competitive environment and the ability of the Corporation to meet revenue expectations and manage programming costs are uncertain. Nonetheless, Cancom has

been successful to date in maintaining its market share in the very competitive environment in which it operates.

FINANCIAL POSITION

Overview

Total assets at August 31, 2000, were \$5.3 billion compared to \$3.7 billion at August 31, 1999. This increase is primarily due to the acquisition of Fundy Communications Inc. effective November 1, 1999, and Cancom effective July 1, 2000.

Property, Plant and Equipment

Total capital expenditures for 2000 were \$583.6 million (1999 - \$312.2 million), including, in the 2000 fiscal year, \$20.6 million by Cancom. Forecasted capital expenditures in the 2001 fiscal year, including approximately \$152 million in respect of Cancom, are approximately \$600 million. In addition, it is anticipated that Big Pipe will invest approximately \$81 million in an IRU, with a life of 60 years.

The major categories of capital expenditures in the current year are as follows:

	2000	1999
(\$000s)		
Cable distribution system	265,100	180,800
Internet modems	137,800	60,300
Digital terminals	42,300	26,400
Telecommunications	85,800	29,000
Satellite	20,600	-
Other	32,000	15,700
	583,600	312,200

Investments

In February 2000, Shaw created Shaw Ventures Inc. to manage its existing and future investments in technology, Internet, interactive television, e-commerce and telecommunications companies. Most companies represented in Shaw's current portfolio of investments are, or have the potential to become, strategic commercial partners of Shaw in its cable television, Internet access and satellite businesses. As at August 31, 2000, Shaw's portfolio of publicly traded investments had a market value of approximately \$1.8 billion.

Shaw's major investments include interests in Terayon Communication Systems (a provider of broadband networking solutions for voice, data and video services), GT (a telecommunications service provider to businesses), Liberate Technologies (a provider of software for delivering Internet-enhanced content

and applications to information appliances such as television set-top boxes), Motorola, Inc. (a provider of integrated communications solutions), 360networks inc. (a provider of broadband network and collocation services for telecommunications companies, Internet service providers, application service providers and data-centric enterprises) and At Home Corporation (a provider of broadband subscription services). Shaw has significant commercial relationships with each of these companies. Shaw also holds portfolio investments in other public and private corporations, including Liberty Digital, Inc. (a diversified new media company with investments in Internet content and infrastructure and interactive television), OpenTV, Corp. (a provider of software that enables digital interactive television) and Netpliance, Inc. (a provider of simple-to-use Internet appliance, Internet service and

shaw2000 management's discussion and analysis

consumer Internet content). The Company also has investments in publicly traded Canadian communications companies.

Shaw Ventures' investment portfolio at August 31, 2000,

(excluding shares pledged as collateral for equity linked debentures and zero coupon loans) is as follows:

	Number		Total	Market values (\$000s)
	Unrestricted shares	Restricted shares and warrants		
At Home	25,965	698,256 ⁽¹⁾	724,221	15,526
GT Group Telecom	–	29,096,097	29,096,097	683,758
Liberate	1,014,160 ⁽²⁾	233,334	1,247,494	53,681
Liberty Digital	1,372,000	–	1,372,000	49,991
Moffat Communications	4,462,460	–	4,462,460	136,105
Motorola	–	850,131 ⁽¹⁾	850,131	45,134
Netpliance	–	1,475,000	1,475,000	11,536
Terayon Communications	3,000,000	3,000,000	6,000,000	490,242
360networks	–	8,908,688	8,908,688	233,853
Other publicly traded companies	–	–	–	85,494
Other non-public companies, at cost	–	–	–	38,333
				1,843,653

(1) Warrants earned, vest on December 31, 2000.

(2) 1,000,000 shares monetized for U.S.\$28,853,000 subsequent to year end; balance sold.

At August 31, 2000, the cost of the investments in Liberty Digital and Netpliance exceeded market value. It is management's view that these declines in value are temporary and that it would be premature to adjust the carrying value of these investments at this time.

Other Assets

The increase of approximately \$70.9 million in deferred charges primarily relates to the DTH equipment subsidies and pre-operating costs of Star Choice, net of amounts written off in respect of the debt restructuring process and amortization in the current year. The increase of approximately \$1 billion in subscriber base reflects the impact of business acquisitions undertaken, net of amortization recorded during the year.

Long-term Debt

Total long-term debt at August 31, 2000, was approximately \$1.8 billion (1999 – \$1.4 billion), the net increase being the result of the Fundy and Cancom acquisitions during the 2000 fiscal year. As noted previously, the long-term debt of the parent company, Shaw Communications Inc., is unsecured, which gives the Company, rated as investment grade, significant flexibility and options in financing its operations.

Total U.S. dollar denominated long-term debt amounted to U.S. \$739.1 million as follows:

	2000
(U.S.\$000s)	
Shaw 8.25% senior notes due 2010	\$ 440,000
Star Choice 13% senior secured notes due 2005	150,000
Fundy Cable Ltd. 11% senior secured second priority notes due 2005	91,916
Bank loans	57,200
	\$ 739,116

shaw2000 management's discussion and analysis

As part of the refinancing of its debt structure, during April 2000, Shaw issued Cdn.\$275 million 7.05% senior notes due 2005, U.S.\$440 million 8.25% senior notes due 2010 and renegotiated its syndicated credit facility. Concurrent with the issuance of the U.S. senior notes, Shaw entered into a cross-currency interest rate agreement on the principal amount of the notes at an exchange rate of Cdn.\$1.4605. In addition, this agreement provides the U.S. funds for the semi-annual interest payments based upon an interest rate of 7.88% on the Canadian dollar equivalent of the debenture principal amount.

The original issue amount of the Fundy notes was U.S. \$100 million. During the year, Shaw acquired approximately \$U.S. 8.1 million of these notes through an open market purchase. Shaw intends to redeem the Fundy notes on November 15, 2000. To this end, it entered into a U.S. dollar forward purchase contract at Cdn.\$1.46 during the year to secure the funds for the redemption. These notes were valued at an exchange rate of Cdn.\$1.4718 in determining the Fundy purchase price. Therefore, Shaw will realize a gain of approximately Cdn.\$1.2 million upon redemption of these notes. This gain, plus the interest rate savings on re-financing, will more than offset the U.S.\$5.5 million premium payable on the early redemption.

INTEREST RATE AND FOREIGN EXCHANGE MANAGEMENT

Shaw Communications Inc. has the following financial exposures to risk in its day-to-day operations:

(a) *Interest rates:* Because of the capital intensive nature of Shaw's operations, the Company utilizes long-term financing extensively in its capital structure. The three primary components of this structure are:

(i) The seven year syndicated bank credit facility, consisting of an \$800 revolving reducing portion and term facilities of Cdn.\$135.9 million and U.S.\$57.2 million.

(ii) Canadian and U.S. denominated notes with terms of five to ten years issued in the public markets.

(iii) Canadian Originated Preferred Securities (COPrS) issued in Canadian and U.S. dollars with terms of 30 – 99 years.

Interest on bank indebtedness is based on floating rates, while the notes and COPrS are fixed rate instruments. Shaw utilizes the credit facility to finance its day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed rate instruments through public market issues. It also uses interest rate swap transactions to fix the interest rates

on a portion of its bank debt. At August 31, 2000, Shaw had "swapped out" \$177 million of its total Canadian floating rate bank indebtedness of \$413.2 million at a fixed rate of 8.89% by means of a Canadian interest rate swap transaction, originally entered into in 1996, with a major Canadian chartered bank.

(b) *Foreign exchange.* As the Company has grown to become the second largest cable television operator in Canada, it has been required to access the U.S. capital markets for a portion of its financings. Because Shaw's revenues and assets are primarily denominated in Canadian dollars, it faces significant potential foreign exchange risks in respect of the servicing of the interest and principal components of its U.S.\$ denominated debt. In view of this, the Company's policy with respect to U.S. debt is that at least 70% of the amounts maturing within the next ten years be hedged to protect against exchange fluctuations, and at August 31, 2000, approximately 72% of the maturities were hedged. The Company utilizes cross-currency interest rate transactions, where appropriate, to hedge its exposures on U.S.\$ denominated bank and note indebtedness.

There is also an exchange risk present with respect to the U.S.\$ denominated COPrS which require quarterly interest payments and potential redemption in U.S. dollars. However, because of the long period of time until mandatory redemption (49 and 99 years) it is not practical to hedge these requirements. In respect of the quarterly interest payments, Shaw has entered into a five-year extendible forward U.S.\$ purchase contract with a major Canadian bank whereby it buys U.S. dollars at a fixed rate on the quarterly interest payment dates to make these payments. The current agreement enables Shaw to purchase U.S. dollars at an exchange rate of Cdn.\$1.4078 until March 31, 2005. The counterparty to this agreement has the option to extend this agreement for a further five years at this rate.

(c) *Market value.* Shaw has a significant portfolio of shares of publicly traded Canadian and U.S. corporations. In order to protect against future stock market volatility, Shaw regularly monetizes these investments through the open-market sales of these investments or issuance of exchangeable debentures. These debentures result in proceeds to Shaw based upon current trading values of the related security, and upon maturity are repayable by tendering the marketable security upon which the debentures were issued, the issuance of Shaw Class B Shares, or cash. Since these debentures are denominated in U.S. funds, there is an exchange risk upon redemption. However, given the length of the terms of these debentures, it is not practical to hedge this exposure.

shaw2000 management's discussion and analysis

The following tables summarize the impact of changes in the Canadian/U.S. dollar exchange rate on the unhedged portion of

Shaw's U.S. denominated debt and equity instruments.

	Change in Cdn.\$ vs. U.S.\$	Change in principal amount <i>(\$000,000s)</i>	Change in interest expense <i>(\$000,000s)</i>	Impact on earnings per share
Debt	\$ 0.01	2.1	0.2	\$ 0.006
	\$ 0.03	6.2	0.7	\$ 0.017
	\$ 0.05	10.4	1.2	\$ 0.029
	Change in Cdn.\$ vs. U.S.\$	Change in principal amount <i>(\$000,000s)</i>	Change in entitlement payments <i>(\$000,000s)</i>	Impact on retained earnings <i>(\$000,000s)</i>
COPrS	\$ 0.01	3.15	N/A	3.15
	\$ 0.03	9.45	N/A	9.45
	\$ 0.05	15.75	N/A	15.75
SHELS	\$ 0.01	2.11	0.05	2.13
	\$ 0.03	6.32	0.14	6.40
	\$ 0.05	10.54	0.24	10.67
Zero Coupon Loan	\$ 0.01	0.23	0.02	0.24
	\$ 0.03	0.68	0.05	0.71
	\$ 0.05	1.14	0.09	1.19

shaw2000 management's responsibility for financial reporting

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Shaw Communications Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring the management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial

statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with auditing standards generally accepted in Canada on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

[Signed]

Jim Shaw

President and
Chief Executive Officer

[Signed]

Ron Rogers

Senior Vice President and
Chief Financial Officer

shaw2000 auditors' report

To the Shareholders of Shaw Communications Inc.

We have audited the consolidated balance sheets of Shaw Communications Inc. as at August 31, 2000 and 1999, and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Calgary, Canada
October 6, 2000

Chartered Accountants

shaw2000 consolidated balance sheets

As at August 31

(thousands of Canadian dollars)

ASSETS (notes 2 and 8)

Current

Accounts receivable

Prepays and other

Investments and other assets (notes 4 and 10)

Property, plant and equipment (note 5)

Deferred charges (note 6)

Subscriber base and broadcast licenses (note 7)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Bank indebtedness (note 8)

Accounts payable and accrued liabilities

Income taxes payable

Unearned revenue

Current portion of long-term debt

Long-term debt (note 8)

Deferred credits (note 9)

Deferred income taxes

Non-controlling interest

Commitments and contingencies (note 13)

Shareholders' equity

Share capital (note 10)

Contributed surplus

Retained earnings

Cumulative translation adjustment

	2000	1999
	\$ 89,543	\$ 67,363
	9,263	29,589
	98,806	96,952
	1,068,359	1,057,263
	1,683,372	1,191,918
	152,894	82,038
	2,318,428	1,306,224
	\$ 5,321,859	\$ 3,734,395
	\$ 27,003	\$ 31,707
	335,007	161,913
	1,963	8,033
	45,453	40,660
	187,334	73,327
	596,760	315,640
	1,590,320	1,337,332
	541,602	27,330
	184,929	275,603
	17,837	934
	2,931,448	1,956,839
	2,135,950	548,182
	-	1,004,625
	254,440	224,749
	21	-
	2,390,411	1,777,556
	\$ 5,321,859	\$ 3,734,395

See accompanying notes.

On behalf of the Board:

[Signed]

JR Shaw

Director

[Signed]

Jim Dinning

Director

shaw2000 consolidated statements of income and retained earnings

Years ended August 31

(thousands of Canadian dollars, except per share amounts)

	2000	1999
Revenue	\$ 971,000	\$ 709,412
Operating, general and administrative expenses	573,337	399,539
Operating income before amortization	397,663	309,873
Amortization (notes 5, 6, 7 and 9)	222,653	155,515
Amortization of deferred IRU revenue (notes 3 and 9)	(3,018)	—
Operating income before interest	178,028	154,358
Interest (note 8)	120,991	99,934
Operating income before the following:	57,037	54,424
Gain on sale of investments (note 4)	143,248	127,731
Dilution gain on issuance of stock by equity investee (note 3)	33,245	—
Gain on sale of FiberLink assets (note 3)	87,984	—
Debt restructuring costs (note 8)	(97,968)	—
Other revenue	4,495	6,639
Income from continuing operations before income taxes	228,041	188,794
Income taxes (note 11)	71,427	81,483
Income from continuing operations before the following:	156,614	107,311
Equity loss on investees (note 4)	(41,601)	(60,761)
Non-controlling interest	3,486	—
Net income from continuing operations	118,499	46,550
Net loss from media business, including separation costs (note 2)	—	(301)
Net loss from discontinued paging operations (note 3)	(239)	(456)
Net income	118,260	45,793
Retained earnings, beginning of year	224,749	210,402
Reduction on separation of media business (note 2)	(29,414)	—
Reduction on Class B shares purchased for cancellation (note 10)	(12,171)	—
Dividends:		
Class A and B shares	8,505	6,596
Equity instruments (net of income taxes)	38,479	24,850
Retained earnings, end of year	\$ 254,440	\$ 224,749
Earnings per share (note 10)		
Net income from continuing operations and net income	\$ 0.45	\$ 0.12

See accompanying notes.

shaw2000 consolidated statements of cash flows

Years ended August 31

(thousands of Canadian dollars, except per share amounts)

OPERATING ACTIVITIES (note 15)

Cash flow from continuing operations

Net change in non-cash working capital balances related to operations

INVESTING ACTIVITIES

Additions to property, plant and equipment

Cable systems acquisitions (note 3)

Cancom acquisition (note 3)

Proceeds on sale of FiberLink assets (note 3)

Proceeds on sale of cable systems

Proceeds on sale of investments and other assets (note 4)

Acquisition of investments

Additions to deferred charges

FINANCING ACTIVITIES

Increase (decrease) in bank indebtedness

Proceeds on pre-payment of IRU (note 3)

Debt restructuring costs

Increase in long-term debt

Long-term debt repayments

Issue of equity instruments

Issue of Class B shares, net of expenses

Purchase of Class B shares for cancellation

Preferred shares redeemed

Dividends and entitlement payments on equity instruments, net of current taxes

Increase (decrease) in cash

Decrease in cash attributable to media business (note 2)

Increase in cash attributable to paging business (note 3)

Cash, beginning of the year

Cash, end of the year

Cash flow from continuing operations per share (notes 10 and 15)

	2000	1999
	\$ 237,789	\$ 207,894
	15,290	9,787
	253,079	217,681
	(583,594)	(312,233)
	(145,222)	(37,855)
	(135,913)	-
	53,653	-
	-	17,153
	667,530	149,044
	(788,880)	(284,391)
	(38,285)	(2,301)
	(970,711)	(470,583)
	(4,704)	31,707
	283,091	-
	(90,606)	-
	2,231,082	430,000
	(2,007,389)	(375,883)
	339,887	-
	(976)	250,247
	(13,847)	-
	-	(4,584)
	(37,916)	(31,446)
	698,622	300,041
	(19,010)	47,139
	(261)	(70,030)
	19,271	844
	-	22,047
	\$ -	\$ -
	\$ 1.08	\$ 1.08

See accompanying notes.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

Shaw Communications Inc. (the "Company") is a public company whose shares are listed on the Toronto and New York Stock Exchanges. The Company is a diversified Canadian communications company whose core business is providing satellite, broadband cable television and Internet services in Canada. The Company also has significant interests in interactive television, e-commerce and telecommunications companies.

The consolidated financial statements are prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, all of which are wholly-owned except for Canadian Satellite Communications Inc. ("Cancom") (94.3% interest) and Access Communications Inc. (75% interest). Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Investments in entities over which the Company exercises significant influence are accounted for using the equity method and include Cancom until June 30, 2000 (at which time Cancom became a subsidiary of the Company), GT Group Telecom Inc., Halifax Cablevision Limited and At Home Canada Inc. Other investments are recorded at cost and written down only when

there is evidence that a decline in value that is other than temporary has occurred.

Acquisitions subject to CRTC approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

Revenue and Expenses

Revenue from cable television, Internet, satellite and paging services includes earned subscriber service revenue prior to any network fees. Service charges billed or paid for in advance are deferred and recorded as revenue when earned. Income includes subscriber connection fees, as they are considered to represent a partial recovery of initial selling expenses and related administrative and general office expenses. Subscriber connection costs are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

The sale of Direct-To-Home receiving equipment is recognized when the goods are shipped.

Telecommunications revenue is recognized in the period in which the services are rendered to customers. Radio and media advertising revenue is recognized in the period in which the advertising is aired.

Property, Plant and Equipment

Property, plant and equipment additions are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	10 – 15 years
Converters and modems	7 years
Decoders	5 years
Radio production equipment	10 years
Satellite audio, data and video network	3 – 7 years
Paging equipment	10 years
Buildings	20 – 40 years
Data processing	4 years
Other	3 – 10 years

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Deferred Charges

Deferred charges primarily include: (i) financing costs and credit facility arrangement fees related to the issue of long-term debt amortized over the period to maturity of the related debt; (ii) marketing costs incurred to launch new specialty services amortized over a two-year period commencing with the commercial offering of the service; (iii) first-year start-up and operating costs of new specialty programming networks amortized over five years; (iv) foreign exchange losses on translating long-term debt and on translating cash held in escrow for interest payments; (v) program rights; (vi) Direct-To-Home ("DTH") pre-operating costs; and (vii) equipment subsidies.

The deferred pre-operating costs include the costs of positioning one of the Company's subsidiaries for entry into the DTH digital satellite business. These costs were deferred until commercial operations commenced and are being amortized on a straight-line basis over five years.

Equipment subsidies result from the Company subsidizing the cost of equipment sold to its subscription television customers in order to expand its customer base. These subsidies are deferred and amortized over a two-year period.

Rights to broadcast programs under various long-term contracts are recorded as assets and the related liabilities are recorded when the programs become available for telecast under a license agreement. The cost of each contract is amortized over the contract. Contract costs assessed as having no future benefit are written off.

Programs produced by the Company are recorded at cost, including direct production costs and an appropriate share of overhead. These costs are included in program rights and are fully amortized as played, over a maximum period of three years. Any revenue earned relating to the sale of these programs is recorded as program distribution revenue over the life of the related sale contracts.

Subscriber Base and Broadcast Licenses

The excess of the cost of acquiring cable, satellite, radio, telecommunications and media businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist primarily of subscriber base and broadcast licenses. Amounts allocated to subscriber base on cable acquisitions are amortized using the increasing charge method with an interest rate of 4% over forty years and amounts allocated to DTH licenses and subscriber base are amortized on a straight-line basis over 35 years.

Amounts allocated to broadcast licenses and goodwill are amortized on a straight-line basis over forty years. These assets are written down if there is evidence of a permanent impairment in their value to the Company. The potential impairment of these assets is measured against the undiscounted value of expected future operating income before amortization, taxes and interest.

Deferred Credits

Deferred credits include: (i) prepayments received under indefeasible right to use agreements amortized into income over the term of the agreement; (ii) fair value adjustment on debt assumed on acquisitions amortized over the term of the debt; (iii) foreign exchange gains on translating long-term debt and on translating short-term investments held in escrow; and (iv) amounts received for debenture warrants that are amortized against long-term interest expense on a straight-line basis over the period to maturity of the related debenture.

Income Taxes

Income taxes have been provided using the deferral method of tax allocation whereby the provision for income taxes is determined on the basis of income and expenses included in the statements of income rather than the related amounts reported in the income tax returns of the Company and its subsidiaries.

Equity Instruments

The Company has the ability to satisfy interest and redemption obligations on various equity instruments through the issuance of Class B Shares. Accordingly, these instruments are included in shareholders' equity and any payments thereon, net of taxes, are recorded as dividends.

Foreign Currency Translation

The financial statements of foreign subsidiaries, all of which are self-sustaining, are translated using the current rate method, whereby assets and liabilities are translated at year-end exchange rates and revenues and expenses at average exchange rates for the year. Adjustments arising from the translation of the financial statements are deferred and included in a separate component of shareholders' equity.

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the year-end rate of exchange and non-monetary items are translated at historic exchange rates.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Exchange gains or losses on translating long-term debt are included in, deferred credits or deferred charges and, except for hedged debt, are amortized on a straight-line basis over the remaining life of the debt. Other exchange gains and losses are included in net income for the year.

Financial Instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include interest rate swaps, currency swaps and foreign currency forward purchase contracts. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to the management of interest risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are deferred until the hedged item is settled.

Stock-based Compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options must be issued at not less than their fair value; accordingly, no compensation expense is recorded on the grant of options under this plan.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The Company has invested in a number of development projects and in companies utilizing and developing new distribution technologies. Control of Cancom and its 100% subsidiary Star Choice Communications Inc. ("Star Choice"), a DTH satellite operator, was acquired in 2000. Star Choice commenced commercial operations on October 1, 1997, and has experienced significant operating losses. These operating losses are expected to continue as Star Choice continues to build its customer base.

The Company has estimated the useful lives of capital assets and the recoverability of deferred costs, development projects and

the subscriber base using current business plans. Significant changes in the assumptions with respect to the competitive environment and the DTH market could result in impairment of capital assets, development projects and certain long-term investments.

2. SEPARATION OF MEDIA BUSINESS AND DISCONTINUED OPERATIONS

On August 30, 1999, the Company's shareholders approved an arrangement (the "Arrangement") to divide the Company into two separate public corporations, Shaw Communications Inc. and Corus Entertainment Inc. ("Corus"), effective September 1, 1999. The Arrangement resulted in the following business segments, which generated gross revenues of approximately \$162 million, and investments being transferred to Corus:

Business Segments	Investments
Shaw Radio Ltd.	Headline Sports Television Network (47.8% interest)
YTV Canada, Inc.	Telelatino Network Inc. (20% interest)
Treehouse TV	The Comedy Network Inc. (15% interest)
Country Music Television (80% interest)	Teletoon Canada Inc. (20% interest)
DMX (80% interest)	Liberty Digital Inc. (1.6% interest)
Digital ADventure	

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

An indirect interest in the shares of WIC Western International Communications Ltd. ("WIC") was transferred to Corus representing the Company's estimate of the value attributable to the radio and pay television broadcasting assets of WIC plus approximately

\$90 million in assets realized from the WIC reorganization.

The pro forma condensed balance sheet for the Company reflecting the transfer of the media business (assuming the transaction occurred at August 31, 1999) is set out below:

	August 31, 1999		
	Shaw consolidated \$	Transfers to Corus \$	Pro forma Shaw consolidated \$
Assets			
Current assets	96,952	50,692	46,260
Investments and other assets	1,057,263	515,122	542,141
Property, plant and equipment	1,191,918	30,523	1,161,395
Deferred charges	82,038	11,090	70,948
Subscriber base and broadcast licenses	1,306,224	169,517	1,136,707
	3,734,395	776,944	2,957,451
Liabilities and shareholders' equity			
Current liabilities	315,640	15,616	300,024
Long-term debt	1,337,332	300,000	1,037,332
Deferred credits	27,330	—	27,330
Deferred income taxes	275,603	(9,415)	285,018
Non-controlling interest	934	934	—
Shareholders' equity	1,777,556	469,809	1,307,747
	3,734,395	776,944	2,957,451

The separation and concurrent changes to the Company's shareholder equity accounts resulted in the following increases (decreases) in shareholders' equity:

	\$
Reduction in Class A shares	(407)
Reduction in Class B shares	(91,884)
Allocation of contributed surplus to Class B shares on elimination of par value designation	656,521
Reduction in contributed surplus	(1,004,625)
Reduction in retained earnings	(29,414)
	(469,809)

The transaction to separate the Company and Corus was recorded at the Company's carrying cost of the net assets transferred, resulting in no gain or loss except for transaction costs.

Related Party Transactions With Corus

The Company and Corus are subject to common voting control. During the year, network fees of \$12,235,000 and advertising fees of \$1,444,000 were paid to various subsidiaries of Corus.

In addition, the Company provided cable system distribution access to Digital ADventure, the advertising division of Corus, for \$3,412,000 and provided administrative services to Corus at a cost of \$1,685,000.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

3. BUSINESS ACQUISITIONS AND DIVESTITURES

Cable Business Acquisitions

	2000			1999	
	Issue of Class B shares	Cash	Application of deposits and assets in escrow	Total purchase price	Total purchase price
	\$	\$	\$	\$	\$
(i) Access Communications Inc.	–	3,074	123,726	126,800	–
(ii) Fundy Communications Inc.	151,515	131,928	192	283,635	–
(iii) Squamish, B.C.	–	10,220	–	10,220	–
(iv) Chilliwack, B.C.	–	–	–	–	37,855
	151,515	145,222	123,918	420,655	37,855

A summary of net assets acquired on cable business acquisitions, accounted for as purchases, is as follows:

	2000 \$	1999 \$
Identifiable cable business net assets acquired at assigned fair values		
Investments and other assets	38,065	–
Property, plant and equipment	114,189	6,116
Subscriber base	504,782	31,878
	657,036	37,994
Working capital deficiency	19,020	139
Long-term debt assumed	209,273	–
Deferred income taxes	1,120	–
Deferred credits	5,500	–
Non-controlling interest	1,468	–
	236,381	139
Purchase price	420,655	37,855

(i) Effective September 1, 1999, the Company acquired a 75% interest in Access Communications Inc. ("Access") and a 100% interest in Access Cable Television Bedford/Sackville Limited. Access also owns a 45% interest in Halifax Cablevision Limited. The three companies operate cable television systems serving approximately 142,000 subscribers primarily in Nova Scotia, and were acquired from a director of the Company.

(ii) Effective November 1, 1999, the Company acquired all of the shares of Fundy Communications Inc., which operates cable systems serving approximately 186,000 subscribers in New Brunswick.

(iii) Effective June 30, 2000, the Company purchased the cable television system serving approximately 3,700 subscribers in

Squamish, British Columbia.

(iv) Effective May 31, 1999, the Company purchased a cable television system serving approximately 20,000 subscribers in Chilliwack, British Columbia.

Cancom Acquisition

On August 31, 1999, Cancom and Star Choice completed a share exchange transaction resulting in Star Choice becoming a wholly owned subsidiary of Cancom. Cancom is a Canadian public company providing satellite-based solutions for business and Star Choice provides DTH satellite television services. Prior to this transaction, the Company held a 9.5% interest in Cancom, accounted for on a cost basis, and a 49.9% interest on a fully diluted

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

basis in Star Choice, accounted for on the equity basis. After the share exchange, the Company held approximately 35% of Cancom which was accounted for on the equity basis.

During 2000, the Company purchased additional interests in Cancom resulting in Cancom becoming a subsidiary for consoli-

dation purposes effective July 1, 2000. A summary of the net assets acquired at assigned fair values and the consideration given for the 94.3% interest held by the Company in Cancom is summarized as follows:

	\$
Identifiable net assets acquired at assigned fair values	
Investments and other assets	15,339
Property, plant and equipment	81,943
Deferred charges	103,724
Deferred income tax charges	129,006
Subscriber base	697,727
	1,027,739
Working capital deficiency	18,413
Long-term debt assumed	246,089
Deferred credits	15,451
Non-controlling interest	19,855
	299,808
Purchase price	727,931
Consideration:	\$
Cash	135,913
Class B shares	534,788
Amounts included in accounts payable	26,720
Cancom investment at August 31, 1999	23,357
Equity in Cancom losses to June 30, 2000	(19,500)
Costs of WIC investment	26,653
	727,931

Divestitures

(i) Effective February 16, 2000, the business of Shaw FiberLink was sold to GT Group Telecom Inc. ("GT"). Under the agreement, the Company granted GT an indefeasible right to use ("IRU") certain specifically identified existing fibers in the fiber optic cable networks of the Company for 60 years and sold to GT the remaining property and assets used in connection with its FiberLink business. In addition, the Company granted GT an IRU in additional fiber kilometers to be built over the next three years at an estimated capital cost of \$65 million. The Company received net proceeds of \$732,192,000, consisting of \$332,192,000 in cash, net of disposal costs of \$27,808,000, and \$400,000,000 representing the value of

29,096,097 GT shares, an approximate 31% interest. A pre-tax gain of \$87,984,000 was recognized on the sale of the FiberLink business to the extent of the interest sold and a prepayment on the IRU totaling \$525,223,000 was recorded which will be amortized into income over the term of the IRU.

As a result of an initial public offering of shares by GT, the Company recorded a dilution gain of \$33,245,000 on the reduction of its interest in GT from approximately 31% to approximately 23%.

(ii) On November 9, 1999, the Paging division was sold for \$19 million. Paging division revenues for 2000 until the date of disposition were \$3.4 million and \$18.9 million for 1999.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

4. INVESTMENTS AND OTHER ASSETS

	2000	1999
<i>(\$000s)</i>		
Investments, at cost:		
WIC Western International Communications Ltd. ("WIC")	–	596,548
360networks inc. ("360networks") (market value – \$233,853)	146,367	–
Liberty Digital Inc. ("Liberty") (market value – \$49,991; 1999 – \$37,611)	111,779	8,400
Motorola, Inc. ("Motorola") (market value – \$33,858)	8,925	–
Netpliance, Inc. ("Netpliance") (market value – \$11,536)	22,247	–
OpenTV Corp. ("OpenTV") (market value – \$10,213)	3,672	–
At Home Corporation ("At Home") (market value – \$256,243; 1999 – \$166,570)	34,753	23,896
Terayon Communication Systems ("Terayon") (market value – \$490,242; 1999 – \$90,928)	51,655	40,940
Liberate Technologies ("Liberate") (market value – \$101,653; 1999 – \$34,772)	22,494	12,883
CTV Inc.	–	124,470
Moffat Communications Ltd. (market value – \$136,105; 1999 – \$38,038)	105,138	36,134
Publicly traded Canadian telecommunications companies (market value – \$85,494)	84,216	–
Specialty programming networks transferred to Corus (note 2)	–	7,522
Investments in private technology companies	38,333	–
Investments at equity:		
GT	378,858	–
Halifax Cablevision Limited	37,934	–
Cancom (note 3)	–	23,357
Other	120	–
Other assets:		
Employee home relocation mortgages and loans	4,071	9,766
Deposits and costs on pending acquisitions	661	169,181
Short-term investments held in escrow (note 8)	15,303	–
Other	1,833	4,166
	1,068,359	1,057,263

WIC

WIC was a Canadian public corporation, providing television, radio and pay television broadcasting and satellite delivery services. At August 31, 1999, the Company owned approximately 52% of the equity of WIC and CanWest Global Communications Corp. ("CanWest") owned approximately 46% of the equity of WIC. In 2000, ownership of the WIC assets was reorganized between the Company and CanWest (the "WIC reorganization"). As a result of the WIC reorganization and transfer of assets on the Arrangement described in Note 2, the Company acquired WIC's 21.2% interest in Cancom at a cost of \$74,519,000 and received \$133,204,000 in cash.

360networks

360networks, a public company, is an independent, facilities-based provider of fiber optic communications network products and

services. During 2000, the Company acquired 8,908,688 common shares for \$146,367,000.

Liberty

Liberty, a U.S. public corporation, is a music entertainment company delivering audio music services to commercial and business consumers in the U.S. via satellite, the Internet and on-premises compact discs. The investment consists of 1,372,000 common shares (1999 – 1,400,000). As a result of the Arrangement (note 2), the Liberty investment was transferred to Corus on September 1, 1999. Effective January 28, 2000, the Company and Corus entered into an agreement whereby 98% of the Company's interest in CTV was sold to Corus and Corus sold its 98% interest in the shares of Liberty Digital to the Company. The transaction was recorded at fair value.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Motorola

Motorola, a U.S. public corporation, provides integrated communications solutions and embedded electronic solutions offering software-enhanced wireless telephones, two-way radios, messaging and satellite communications products and systems, as well as networking and Internet-access products. Under agreements with General Instrument Corporation, which later merged with Motorola, the Company was granted 2,267,017 warrants to purchase common shares of Motorola for U.S. \$8.26 per share. During the year, the Company exercised warrants to purchase 1,416,885 shares of Motorola for \$17,270,000 and sold 684,648 shares. The balance of the shares held are pledged as collateral for the Zero Coupon Loan described in note 10. The remaining 850,132 warrants vest on December 31, 2000.

Netpliance

Netpliance offers Internet-based content, applications and services through devices specifically designed for Internet access, commonly known as Internet appliances. The investment in Netpliance represents 1,475,000 shares.

OpenTV

Open TV provides software that enables digital interactive television through set-top terminals. The Company holds 125,000 OpenTV shares which are retractable by OpenTV at the initial purchase offering price of U.S.\$20.00 per share if Shaw does not deploy the OpenTV technology.

At Home

A summary of the holdings in At Home is as follows:

	2000	1999
(number of shares/warrants)		
Shares:		
Pledged as collateral for SHELS (note 10)	4,361,190	–
Free trading	25,965	1,140,000
Subject to hold periods	–	1,641,420
Warrants:		
Non-vested – exercise price of U.S.\$5.00	698,256	2,301,490
Non-vested – exercise price of U.S.\$5.25	–	1,400,700
Shares and warrants reserved for employee incentive plan	–	536,000
	5,085,411	7,019,610

At Home is a U.S. public corporation which developed the high-speed Internet access service @Home. The Company, along with certain other Canadian cable companies, has the exclusive right to distribute the @Home service in Canada to their respective cable subscribers and has the right to sub-license other cable companies to distribute the service in Canada.

During the year, the Company terminated the employee

incentive plan by purchasing 536,000 warrants and shares from employees for \$14,685,000 and exercised 3,149,934 warrants to purchase 2,890,136 shares.

Terayon

A summary of the holdings in Terayon is as follows, restated to reflect Terayon's two-for-one stock split May 8, 2000:

	2000	1999
(number of shares/warrants)		
Shares (free trading)	3,000,000	384,616
Shares (subject to hold period expiring November 24, 2000)	3,000,000	3,000,000
Warrants	–	3,000,000
	6,000,000	6,384,616

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Terayon is a U.S. public corporation that manufactures and sells cable television Internet modems.

In 1998, the Company was allocated warrants to acquire 6,000,000 common shares at U.S.\$3.25 per share until December 31, 2003. The economic benefit attributable to 800,000 warrants was awarded, under an incentive arrangement, to the Executive Chair of the Company. In January 1999, the Company purchased these warrants at their fair market value from the Executive Chair

for \$22,594,800. All of the 6,000,000 shares were acquired in 1999 and 2000 through the exercise of the warrants.

Liberate

Liberate is a U.S. public corporation which develops software to deliver Internet-enhanced services to televisions and other outlets. A summary of the holdings in Liberate is as follows, restated to reflect a two-for-one stock split January 18, 2000:

	2000	1999
(number of shares/warrants)		
Shares:		
Pledged as collateral for SHELs (note 10)	452,506	—
Free trading (note 17(b))	1,014,160	100,000
Subject to hold period expiring January 24, 2000	—	1,666,666
Warrants – exercise price of U.S.\$6.90 per share	233,334	233,334
	1,700,000	2,000,000

A summary of the proceeds and gain (loss) on sale of investments is as follows:

	2000			1999		
	Shares (number)	Proceeds \$	Gain/(loss) \$	Shares (number)	Proceeds \$	Gain/(loss) \$
At Home	1,674,401	75,074	62,866	1,350,000	99,620	92,214
Cogeco Inc.	1,824,400	80,291	(3,573)	—	—	—
Cogeco Cable	4,253,800	187,167	26,149	—	—	—
CTV	4,848,113	118,579	11,546	—	—	—
Liberty	—	—	—	500,000	22,960	19,960
Liberate	300,000	10,959	8,770	—	—	—
OpenTV	125,000	30,700	27,029	—	—	—
Motorola	684,648	8,345	—	—	—	—
Terayon	384,616	14,230	10,582	769,230	22,806	15,589
WIC reorganization	—	133,204	—	—	—	—
Other	—	8,981	(121)	—	3,658	(32)
		667,530	143,248		149,044	127,731

Equity income (loss) on investees consists of the following:

	2000 \$	1999 \$
Cancom (to June 30, 2000)	(19,500)	(60,761)
GT Group Telecom	(21,595)	—
Halifax Cablevision Limited	10	—
Other	(516)	—
	(41,601)	(60,761)

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	2000		1999	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Cable and telecommunications distribution system	1,624,911	463,827	1,168,923	299,923
Converters and modems	369,601	85,557	202,214	38,862
Decoders	3,388	395	—	—
Radio production equipment	—	—	9,783	4,998
Satellite audio, video and data network equipment	59,524	1,769	—	—
Paging equipment	—	—	31,862	9,705
Buildings	112,690	28,162	97,558	25,577
Data processing	48,014	20,489	30,795	13,187
Other assets	93,730	55,310	60,508	37,131
	2,311,858	655,509	1,601,643	429,383
Land	27,023	—	19,658	—
	2,338,881	655,509	1,621,301	429,383
Net book value	1,683,372		1,191,918	

Labour costs attributable to construction are capitalized as part of the distribution systems. In 2000, the amount capitalized was \$48,223,000 (1999 – \$34,297,000). Amortization provided in the accounts on property, plant and equipment for 2000 amounted to \$175,051,000 (1999 – \$124,128,000), on continuing

operations and \$659,000 (1999 – \$9,516,000) in respect of the media and paging business assets.

Included in property, plant and equipment are rights to use fibers under infeasible right-to-use agreements with terms extending to 60 years totaling \$17,053,000.

6. DEFERRED CHARGES

	2000		1999	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Financing costs and credit facility arrangement fees	40,605	12,275	25,565	14,473
Marketing costs to launch new services	14,867	14,744	16,237	11,798
Start-up costs of new specialty programming networks	—	—	4,089	667
Foreign exchange losses on translating long-term debt	12,892	410	68,626	14,637
Pre-operating costs	8,539	723	—	—
Equipment subsidies	115,725	13,251	—	—
Program rights	—	—	18,258	10,590
Other	2,602	933	2,214	786
	195,230	42,336	134,989	52,951
Net book value	152,894		82,038	

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Amortization provided in the accounts on deferred charges, excluding long-term program rights, for 2000 amounted to \$27,803,000 (1999 – \$17,154,000) on continuing operations and \$393,000 (1999 – \$770,000) in respect of the media and paging business assets. Amortization of long-term program rights amounting to \$22,055,000 in 1999 is included in operating,

general and administrative expenses of the media business.

In connection with the early redemption of debentures in 2000, the Company recorded a loss of \$97,968,000 including the write-off of deferred financing costs and deferred foreign exchange losses of \$4,102,000 and \$27,707,000 respectively.

7. SUBSCRIBER BASE AND BROADCAST LICENSES

	2000		1999	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Subscriber base:				
Cable systems	1,709,250	87,358	1,204,468	67,761
DTH operations	697,727	1,191	–	–
Broadcast licenses	–	–	189,967	20,450
	2,406,977	88,549	1,394,435	88,211
Net book value	2,318,428		1,306,224	

Amortization provided in the accounts on subscriber base and broadcast licenses amounted to \$20,788,000 (1999 – \$14,233,000)

on continuing operations and \$4,738,000 in 1999 on media business assets.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

8. LONG-TERM DEBT

	Effective interest rates %	2000 \$	1999 \$
Corporate			
Debentures:			
2003 Series, due January 8, 2003	11.09	–	24,000
2003 (U.S.) Series, due February 4, 2003	9.23	–	74,625
2005 Series, due November 30, 2005	9.84	–	156,300
2007 Series, due March 19, 2007	9.22	–	45,000
2007 (U.S.) Series, due March 19, 2007	8.20	–	302,978
2008 Series, due January 8, 2008	11.33	–	42,000
Bank loans	Fixed and variable	385,107	701,178
Senior notes, due April 11, 2005	7.05	275,000	–
U.S. Senior notes (\$440 million), due April 11, 2010	7.88	647,460	–
Notes payable	7.52	–	19,546
Note payable	8.00	–	45,000
Other	–	1,843	32
		1,309,410	1,410,659
Cancom			
Bank loans	Variable	8,810	–
Subordinated credit facility	Variable	40,000	–
		48,810	–
Star Choice			
13% U.S.\$150 million Senior secured notes	13.00	220,725	–
Other subsidiaries			
U.S. \$91.9 million Senior Secured Second priority Notes due November 15, 2005	11.00	135,254	–
Bank loans	Variable	63,455	–
		198,709	–
Total consolidated debt		1,777,654	1,410,659
Less current portion		187,334	73,327
		1,590,320	1,337,332

Interest on long-term debt included in interest expense amounted to \$120,991,000 (1999 – \$99,934,000) on continuing operations and \$27,066,000 in respect of the media and paging business operations for 1999.

Corporate

Debentures

In 2000, the Company called for redemption of all debentures outstanding at August 31, 1999, and incurred costs in connection with the early redemption as follows:

	\$
Restructuring fees	90,606
Realization of deferred foreign exchange losses	27,707
Write-off of deferred financing costs	4,102
Write-off of deferred bond warrant proceeds	(24,447)
	97,968

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Bank Loans

In conjunction with the early redemption of the debentures, the Company re-negotiated its credit facility such that it is unsecured.

The Company has a \$30 million revolving operating loan facility with interest rates and borrowing options the same as those contained in the credit facility described below.

A syndicate of banks has provided the Company with a credit facility, which at August 31, 2000, amounted to \$1.02 billion, \$800 million of which is revolving on a reducing basis until repaid by April 30, 2007. As at August 31, 2000, \$635 million of the \$800 million portion of the facility was not utilized. The balance of the facility, which has been fully drawn, is non-revolving term repayable in twelve semi-annual increasing installments such that the loan is repaid by April 30, 2007. Funds are available to the Company in both Canadian and U.S. dollars. At August 31, 2000, the U.S. portion of the bank loans was U.S.\$57.2 million (Cdn.\$84.2 million).

At August 31, 2000, interest rates on \$177 million of Canadian dollar borrowings were fixed by means of an interest rate swap at 8.89%. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptance and U.S. LIBOR rates and averaged 7.5% for the year (1999 – 7%).

Senior notes

The Senior notes are senior unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

The Company has entered into a cross-currency interest rate agreement to fix the liability for interest and principal payments on the U.S.\$ Senior Notes which have an interest coupon rate of 8.25%. This agreement has resulted in an effective interest rate of 7.88% on the Cdn.\$ equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at Cdn.\$1.4605.

Cancom

Bank Loan

Cancom's banking facilities include a \$15 million demand operating line of credit and a seven-year \$400 million revolving reducing term credit facility. Funds are available in Canadian or U.S. dollars. Interest rates on the operating line fluctuate with Canadian prime rate and U.S. base rates. Interest rates on the \$400 million facility fluctuate with Canadian bankers' acceptances

and prime rates and U.S. LIBOR base rates. Interest rates on these facilities averaged 10.14% for the year.

The \$400 million facility is revolving on a reducing basis until repaid by July 31, 2007. As at August 31, 2000, \$364 million (net of committed letters of credit of \$27.2 million) of the facility was not utilized.

The operating line and \$400 million facility are collateralized by a first ranking fixed and floating charge and security interest in all assets and undertakings of Cancom and each of Cancom's subsidiaries, excluding Star Choice and its subsidiaries.

Subordinated Credit Facility

Cancom has a \$40 million standby subordinated credit facility due May 2, 2004. The effective interest rate on this facility for the year ended August 31, 2000, was 9.76%. The facility is unsecured and bears interest at rates based upon bankers' acceptances.

Star Choice

13% U.S.\$150 million Senior secured notes

Star Choice, a wholly-owned subsidiary of Cancom, has issued Senior secured notes which are due December 15, 2005, and are redeemable at the option of Star Choice at 106.5% of the issue price of U.S.\$150 million on or after December 15, 2002, 103.25% of the issue price on or after December 15, 2003, or at 100% of the issue price on or after December 15, 2004. Interest is payable semi-annually on June 15 and December 15 of each year.

The notes are collateralized by all of the assets of Star Choice with the exception of the assets of a subsidiary, Direct Choice TV Inc. Star Choice was required to place sufficient funds in a short-term investment held in escrow account to provide for payment of the first six interest payments required under the Notes. As at August 31, 2000, the interest reserve account was U.S.\$10.4 million, which will be used for the December 15, 2000, interest payment.

The short-term investments held in escrow are used as a hedge against the U.S. dollar interest payments which they secure.

Other Subsidiaries

Senior Secured Second Priority Notes

The notes are collateralized by a demand debenture in the amount of \$310 million which represents a second priority charge upon substantially all property and assets of Fundy Communications Inc., a subsidiary of the Company. The Company intends to redeem these Notes on November 15, 2000, and has entered into a forward U.S. dollar purchase contract to acquire U.S.\$100 million at an exchange rate of Cdn.\$1.46 to effect the redemption.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Bank Loans

Credit facilities are in place collateralized by first fixed and floating charges over the assets of certain subsidiaries and a general assignment of book debts. Total borrowings under these facilities were \$63.5 million at August 31, 2000. These facilities are available in Canadian funds, with interest rates based upon Canadian bankers' acceptance and prime rates. Facilities amounting to \$3.4 million expire on August 31, 2002, with the balance extendible on an annual basis.

Debt Covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2000.

Long-Term Debt Repayments

Mandatory principal repayments on all long-term debt in each of the next five years are as follows:

	\$
2001	187,334
2002	11,525
2003	85
2004	62,104
2005	308,103
Thereafter	1,208,503
	1,777,654

9. DEFERRED CREDITS

	2000		1999	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Indefeasible right to use ("IRU") agreements	525,223	3,018	—	—
Fair value adjustment on debt assumed on acquisitions	20,951	5,058	—	—
Foreign exchange gains on translating long-term debt	4,398	894	—	—
Debenture warrant proceeds	—	—	32,088	4,758
	550,572	8,970	32,088	4,758
Net book value		541,602		27,330

Amortization in respect of the IRU for 2000 amounted to \$3,018,000; amortization in respect of the debenture purchase warrants and fair value adjustment on debt amounted to \$7,941,000 (1999 – \$5,758,000) and was offset against interest expense; and amortization provided in the accounts on foreign exchange gains for 2000 amounted to \$989,000 and is netted against the amortization charge.

In connection with the early redemption of debentures in 2000, the Company recorded a loss of \$97,968,000 which is net of the write-off of unamortized debenture warrant proceeds of \$24,447,000.

10. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Class A participating shares ("Class A Shares"), Class B non-voting participating shares ("Class B Shares"), Class 1 preferred shares, Class 2 preferred shares, Canadian Originated Preferred Securities ("COPRS"), Variable Rate Equity Linked Exchangeable Debentures ("SHELS") and Zero Coupon Loans.

Effective September 1, 1999, the authorized share capital of the Company was amended to eliminate the par value on Class B Shares.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Issued and Outstanding

			2000 \$	1999 \$
Number of securities				
2000	1999			
11,419,972	11,446,072	Class A Shares	2,503	2,916
194,204,919	168,161,498	Class B Shares	1,249,697	1,403
EQUITY INSTRUMENTS				
COPrS				
5,700,000	5,700,000	8.45% Series A U.S. \$142.5 million, due September 30, 2046	192,871	192,871
100,000	100,000	8.54% Series B due September 30, 2027	98,467	98,467
6,900,000	6,900,000	8.50% Series U.S. \$172.5 million, due September 30, 2097	252,525	252,525
SHELS				
137,693	–	U.S.\$137,693,000 due Nov. 9, 2024	199,342	–
39,053	–	U.S.\$39,053,000 due Mar. 8, 2025	56,345	–
33,923	–	U.S.\$33,923,000 due May 31, 2025	50,342	–
		Zero Coupon Loan U.S.\$22,835,000	33,858	–
			2,135,950	548,182

Class A and Class B shares

Class A Shares are convertible at any time into an equivalent number of Class B Shares. The Class B Shares are convertible into an equivalent number of Class A Shares in limited circumstances.

On February 7, 2000, the Class A and Class B shares were split

on a two-for-one basis and the preferential dividend rate on Class B shares was set at \$0.005 per share per annum. Comparative share statistics have been re-stated to reflect the stock split.

Changes in Class A and Class B share capital and contributed surplus in 2000 and 1999 are as follows:

	Class A Shares		Class B Shares		Contributed surplus
	Number	\$	Number	\$	\$
August 31, 1998	11,520,372	2,934	153,577,384	1,280	657,118
Class A conversions	(74,300)	(18)	74,300	1	17
Public offering	–	–	8,000,000	68	254,036
Preferred share conversions	–	–	1,543,856	13	10,987
Stock option plan issuances	–	–	965,958	8	–
Issued in respect of acquisitions	–	–	4,000,000	33	82,467
August 31, 1999	11,446,072	2,916	168,161,498	1,403	1,004,625
Elimination of par value on Class B Shares	–	–	–	656,521	(656,521)
Reduction on separation of media business (note 2)	–	(407)	–	(91,884)	(348,104)
Class A conversions	(26,100)	(6)	26,100	6	–
Stock option plan issuances	–	–	2,795,176	–	–
Purchase of shares for cancellation	–	–	(397,400)	(1,676)	–
Issued in respect of:					
Cable system acquisitions	–	–	7,401,796	151,515	–
Cancom acquisition	–	–	16,217,749	534,788	–
Share issue costs	–	–	–	(976)	–
August 31, 2000	11,419,972	2,503	194,204,919	1,249,697	–

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Equity Instruments

COPrS

COPrS rank as unsecured junior subordinated debt. The Company has the right to defer payments of interest on the securities for a period up to 20 consecutive quarterly periods provided that no extension period may extend beyond the stated maturity of the securities. Except in certain limited circumstances, the Company may not pay or declare dividends on any of its capital stock (including capital stock classified as debt) (except by way of stock dividend) at any time when any interest on the securities is either in default or is being deferred. There may be multiple extension periods of varying lengths, each of up to 20 consecutive quarterly periods, throughout the term of the securities. During any extension period, interest will accrue but will not compound. The Company may satisfy its obligation to pay deferred interest on any applicable interest payment date through the issuance to the trustee of Class B Shares of the Company, in which event the holders of the securities shall be entitled to receive cash payments equal to the deferred interest from the proceeds of the sale of the requisite Class B Shares by the trustee.

The COPrS are redeemable, at the Company's option, in whole or in part, at any time after September 30, 2002 (8.45% Series A), September 30, 2007 (8.54% Series B), or September 30, 2003 (8.50% Series) at a redemption price equal to 100% of the principal

amount of the securities to be redeemed plus accrued and unpaid interest thereon to the date of such redemption.

The Company has purchased a five-year extendible forward purchase contract to provide the U.S. funds required for the quarterly interest payments on the U.S. denominated securities at an exchange rate of Cdn.\$1.4078.

SHELS

Each series of the SHELS are in denominations of U.S.\$1,000 and are due 25 years following the date of issuance. The SHELS are collateralized by the underlying security indicated opposite such series below and are exchangeable at the holder's option at any time, excluding the maturity date, into the underlying security at the Conversion Rate indicated. In lieu of delivering the underlying security, the Company may make cash payment equal to the fair market value of the underlying security at that time. The Company may satisfy its obligation to pay the applicable redemption price or the principal amount of the SHELS plus accrued interest through the issuance of Class B Shares.

Interest is payable on the SHELS at a rate equal to the dividend rate of the underlying security plus a varying percentage (Incremental Interest Rate) depending on whether the underlying security is subject to trading restrictions (Restricted Shares). A summary of the terms of each series of the SHELS is as follows:

Series	Underlying security	Conversion rate per \$1,000	Incremental interest rate		Average interest rate for year
			Restricted shares	Free trading shares	
SHELS I, due November 9, 2024	3,250,656 free trading and restricted shares of At Home Corporation	23.61	9.00%	2.25%	6.14%
SHELS II, due March 8, 2025	1,110,530 restricted shares of At Home Corporation	28.44	9.00%	2.25%	9.00%
SHELS III, due May 31, 2025	452,506 restricted common shares of Liberate Technologies	13.34	9.50%	2.25%	9.50%

Any time after three years (in the case of SHELS I and II) and four years (in the case of SHELS III) following the issuance of the SHELS, the Company may redeem not less than that number of SHELS equal to one-third of such SHELS outstanding as of the date of such issuance by delivering the number shares of the underlying security based on the applicable conversion rate for each U.S.\$1,000 principal amount or by a cash payment that approximates the fair market value of the underlying security at

the time of redemption plus accrued and unpaid interest thereon to the date of such redemption.

On September 16, 2000, the balance of the At Home shares became unrestricted under the SHELS I; on January 11, 2001, the At Home shares become unrestricted under the SHELS II; and on September 1, 2000, the Liberate shares became unrestricted under the SHELS III.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Zero Coupon Loan

The Zero Coupon Loan is collateralized by a forward contract entered into by the Company in respect of 732,237 Motorola shares. The loan bears interest at 7.53% compounded annually with principal and interest payable in 4 equal weekly installments commencing July 19, 2005. The Company may satisfy its obligation to pay principal and interest at maturity through the issuance of Class B Shares.

Concurrent with receipt of the Zero Coupon Loan proceeds, the Company entered into an equity forward sale contract in respect of 732,237 Motorola shares whereby the Company has agreed to forward sell the shares at dates that coincide with the maturity dates of the Zero Coupon Loan. Until May 27, 2005, the Company has the option to elect to deliver the required number of Motorola shares in exchange for cash payments that equal the payments required under the Zero Coupon Loan at each respective maturity date. If the Company does not elect to physically settle the forward contract, a cash settlement will be made between the parties for the difference between the fair market value of the Motorola shares at maturity and the forward sale price of U.S.\$44.7567 per share.

Stock Option plan

During the year the shareholders approved a new stock option plan. Directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Shares with terms not to exceed 10 years from the date of grant. Twenty-five percent of the options are exercisable on each of the first four anniversary dates from the date of the original grant. The options must be issued at not less than their fair market value. The maximum number of Class B Shares issuable under the plan may not exceed 16,000,000.

During the year, 5,450,000 options were granted at exercise prices between \$29.70 and \$34.08 with an average exercise price of \$32.49. No options were exercised or forfeited and no options are currently exercisable. The weighted average remaining contractual life of the options is approximately 10 years.

Under the previous stock option plan, options were granted to senior officers and employees to acquire Class B Shares. The number of shares issued under the plan varied depending upon the growth in market value of the shares. In connection with the Arrangement (described in note 2), all vesting rights under the stock option plan were accelerated and 2,795,176 Class B Shares were issued on September 1, 1999, on a cashless basis.

Other Stock Options

In conjunction with the Cancom take-over bid, holders of 498,096 Cancom options elected to receive 0.9 of one of the Company's Class B shares in lieu of one Cancom share which would be received upon the exercise of a Cancom option under the Cancom option plan.

At August 31, 2000, the Cancom options have exercise prices between \$2.31 and \$16.45 and a weighted average price of \$7.90. The weighted average remaining contractual life of the Cancom options is 7.9 years. Currently, 219,799 Cancom options are exercisable into 197,819 Class B shares at a weighted average price of \$8.57 per Cancom option.

Dividends

The holders of Class B Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of \$0.005 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Shares, holders of Class A Shares and Class B Shares participate equally, share for share, as to all subsequent dividends declared.

Share Transfer Restriction

The Articles of Arrangement of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a license to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

Earnings and Cash Flow Per Share

Earnings and cash flow per share are calculated based on the weighted average number of Class A Shares and Class B Shares outstanding during the year (2000 – 188,927,000; 1999 – 168,832,000) after deducting entitlements on the equity instruments, net of income taxes, amounting to \$33,071,000 (1999 – \$26,119,000) from net income. The potential issuance of Class B Shares under the terms of the Company's stock option plan are not dilutive.

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

11. INCOME TAXES

Differences between income taxes calculated at Canadian statutory rates and the income tax provision are as follows:

	2000 \$	1999 \$
Income taxes at Canadian statutory rates	102,618	84,957
Differences from statutory rates relating to:		
Amortization on amounts assigned to assets on business acquisitions not deductible for tax purposes	9,141	6,961
Large corporations tax	4,139	3,423
Non-taxable portion of gains on sales	(32,556)	(12,680)
Other including non-taxable debenture warrant proceeds	(11,915)	(1,178)
Income tax provision	71,427	81,483

The components of the income tax provision are as follows:

	2000 \$	1999 \$
Current	34,415	19,615
Deferred	37,012	61,868
	71,427	81,483

12. BUSINESS SEGMENT INFORMATION

The Company provides cable television services; high-speed Internet access; satellite distribution services; and, until February 16, 2000, when the Shaw FiberLink operations were sold to GT Group Telecom Inc., fiber optic data, video, voice and Internet telecommunications services. All of these operating segments are located in Canada.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenues and operating income:

	2000				
	Cable TV \$	Internet \$	Satellite \$	Telecommunications \$	Total \$
Revenues – total	781,800	98,902	71,876	26,528	979,106
Inter segment	–	–	(2,334)	(5,772)	(8,106)
	781,800	98,902	69,542	20,756	971,000
Operating income (loss) before amortization	358,515	33,359	(1,532)	7,321	397,663
Operating income (loss) as % of external revenue	45.9%	33.7%	(2.2%)	35.3%	41.0%
Segment assets	2,842,790	229,715	841,720	80,090	3,994,315
Corporate assets including equity investees					1,327,544
Total assets					5,321,859
Capital expenditures by segment	307,428	137,712	20,620	85,785	551,545
Corporate expenditures					32,049
Total capital expenditures					583,594

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

	1999			
	Cable TV	Internet	Telecommunications	Total
	\$	\$	\$	\$
Revenues – total	637,107	40,714	36,199	714,020
Inter segment	–	–	(4,608)	(4,608)
	637,107	40,714	31,591	709,412
Operating income before amortization	287,676	10,586	11,611	309,873
Operating income as % of external revenue	45.2%	26.0%	36.8%	43.7%
Segment assets	2,047,991	127,978	77,512	2,253,481
Media assets (note 2)				776,944
Paging assets				19,706
Corporate assets including equity investees				684,264
Total assets				3,734,395
Capital expenditures by segment	207,209	60,322	29,032	296,563
Corporate expenditures				15,670
Total capital expenditures				312,233

13. COMMITMENTS AND CONTINGENCIES

Commitments

At August 31, 2000, the Company has the following commitments:

	\$
2001	168,695
2002	247,161
2003	84,889
2004	75,809
2005	73,485
Thereafter	600,778
	1,250,817

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

(i) The Company has various long-term operating lease agreements for the use of transmission facilities and premises.

(ii) The Company has committed to purchase a national fiber optic network, entered into a fiber capacity lease arrangement and entered into an indefeasible right to use with respect to a portion of 360 networks U.S. fiber network to be paid over a three-year period.

(iii) The Company entered into a product supply agreement with a supplier which contains certain minimum annual product purchase commitments expiring on December 31, 2003. The agreement also requires payment of a fixed annual fee over the same period.

(iv) The Company has guaranteed payments of certain equipment leases to customers. The lease terms range from several months to five years.

(v) The Company, through two of its subsidiaries, entered into agreements with Telesat Canada to purchase 45 Ku-band transponders and lease 5 C-band transponders on the Anik F1 and F2 satellites, scheduled to be launched during calendar 2000 and 2002 respectively. Under the terms of the agreements, the Company paid deposits and posted letters of credit and is committed to paying additional deposits in each of the next two years. The posting of these letters of credit reduces the available funds that can be drawn on Cancom's \$400 million credit facility (note 8). The deposits represent a partial payment of the purchase price for the Ku-band transponders and a prepayment of lease payments for the C-band transponders. The C-band lease is for a term of five years.

Contingencies

The Company and its subsidiaries are involved in matters involving litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these financial statements.

14. FINANCIAL INSTRUMENTS

Fair Values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and liabilities approximates their carrying amount due to their short-term nature.

(ii) Investments and other assets

a) The fair value of publicly traded shares included in this category is determined by the closing market values for those investments except in those cases where investments are subject to the rights of holders of SHELs to exchange the SHELs for an underlying investment at predetermined conversion rates, in which case the fair value is set at the conversion rate. In addition, the fair value of investments subject to forward sale agreements is based on the forward selling price.

b) The fair value of other investments in this category approximates their carrying value.

(iii) Long-term debt

a) The carrying value of bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and LIBOR rates.

b) The fair value of publicly traded notes is based upon current trading values. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Derivative financial instruments

The fair value of interest and cross-currency interest exchange agreements and U.S. currency contracts is based upon quotations by the counterparties to the agreements.

The estimated fair values of long-term debt and related derivative financial instruments are as follows:

	2000		1999	
	Carrying amount \$	Estimated fair value \$	Carrying amount \$	Estimated fair value \$
Long-term debt				
Debentures, loans and notes	1,777,654	1,815,470	1,410,659	1,513,503
Derivative financial instruments				
Interest exchange agreements	—	24,461	—	54,075
Cross-currency interest rate exchange agreements	—	11,008	—	(13,040)
U.S. currency purchase and purchase option contracts	—	4,210	—	(6,943)
	1,777,654	1,855,149	1,410,659	1,547,595

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit Risks

Credit risks associated with interest and cross-currency interest

exchange agreements and U.S. currency contracts arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable are not subject to any concentration of credit risk.

15. STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Statements of Cash Flows are as follows:

(i) Cash flow from continuing operations

	2000 \$	1999 \$
Net income from continuing operations	118,499	46,550
Non-cash items:		
Amortization	222,653	155,515
Amortization of deferred IRU revenue	(3,018)	—
Deferred income taxes	37,012	61,868
Gain on sale of FiberLink assets	(87,984)	—
Gain on sale of investments, net of current taxes	(143,248)	(112,302)
Gain on issuance of stock by equity investees	(33,245)	—
Equity loss on investees	41,601	60,761
Non-controlling interest	(3,486)	—
Debt restructuring costs	97,968	—
Other	(8,963)	(4,498)
Cash flow from continuing operations	237,789	207,894

(ii) Changes in non-cash working capital balances related to continuing operations include the following:

	2000 \$	1999 \$
Accounts receivable	9,880	(8,276)
Prepays and other	9,568	(16,809)
Accounts payable and accrued liabilities	2,731	26,443
Income taxes payable	(9,517)	5,301
Unearned revenue	2,628	3,128
	15,290	9,787

(iii) Interest and income taxes paid (recovered) and classified as operating activities are as follows:

	2000 \$	1999 \$
Interest	122,505	107,802
Income taxes paid (recovered)	6,618	(6,534)

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

16. UNITED STATES ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The

following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

A. Reconciliation to Accounting Principles Generally Accepted in the United States

	2000 \$	1999 \$
Net income using Canadian GAAP	118,260	45,793
Add (deduct) adjustments for:		
Amortization of intangible assets (1) (7)	(45,521)	(32,884)
Deferred charges (2)	(12,995)	4,444
Foreign exchange gains (4)	24,733	38,010
Equity in loss of investees (5)	(11,359)	27,482
Adjustments to gain on sale of cable systems (3)	—	(7,614)
Dividends on redeemable preferred shares (9)	—	498
Entitlement payments on equity instruments (10)	(59,490)	(47,490)
Stock-based compensation (11)	—	(92,850)
Debt restructuring costs (12)	70,261	—
Income tax effect of adjustments (3)	9,509	30,943
Income (loss) using U.S. GAAP before extraordinary item	93,398	(33,668)
Extraordinary item		
Debt restructuring costs, net of tax (12)	(27,105)	—
Net income (loss) using U.S. GAAP	66,293	(33,668)
Unrealized gains on available-for-sale securities, net of tax (8)		
Unrealized holding gains arising during the year	445,387	278,107
Less: reclassification adjustments for gains included in net income	(97,472)	(86,790)
	347,915	191,317
Comprehensive income using U.S. GAAP	414,208	157,649
 Income (loss) per share using U.S. GAAP before extraordinary item	 0.49	 (0.20)
Net Income (loss) per share using U.S. GAAP	0.35	(0.20)
Comprehensive income per share using U.S. GAAP	2.19	(0.93)

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Balance sheet items using U.S. GAAP

	2000		1999	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
	\$	\$	\$	\$
Investments and other assets (5) (6) (8)	1,068,359	1,914,508	1,057,263	1,419,588
Property, plant and equipment (3)	1,683,372	1,693,294	1,191,918	1,203,065
Deferred charges (2) (4)	152,984	59,061	82,038	70,263
Subscriber base and broadcast licenses (1) (3) (7)	2,318,428	3,309,429	1,306,224	1,712,293
Deferred credits (4)	541,602	538,098	27,330	27,330
Deferred income taxes (3)	184,929	1,452,973	275,603	858,874
Long-term debt (10)	1,590,320	2,497,444	1,337,332	1,917,941
Shareholders' equity	2,390,411	1,971,985	1,777,556	1,381,441

The cumulative effect of these adjustments on consolidated shareholders' equity is as follows:

	2000	1999
	\$	\$
Shareholders' equity using Canadian GAAP	2,390,411	1,777,556
Amortization of intangible assets (1)	(124,028)	(108,716)
Deferred charges (2)	4,954	(4,470)
Foreign exchange losses (4)	(2,042)	(13,412)
Equity in loss of investees (5)	8,620	20,093
Gain on sale of subsidiary (6)	13,822	13,822
Gain on sale of cable television systems (7)	43,175	44,823
Unrealized gains on investments (8)	541,040	212,906
Equity instruments (10)	(903,967)	(561,161)
Shareholders' equity using U.S. GAAP	1,971,985	1,381,441

shaw2000 notes to consolidated financial statements

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

Areas of material difference between accounting principles generally accepted in Canada and the United States and their impact on the consolidated financial statements are as follows:

(1) *Amortization of intangible assets.* Under Canadian GAAP, amounts allocated to subscriber base are amortized using an increasing charge method which commenced in 1992. Under U.S. GAAP, these intangibles are amortized on a straight-line basis over forty years.

(2) *Deferred charges.* Marketing costs to launch new services, first-year start-up and pre-operating costs and equipment subsidies are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred.

(3) *Deferred income taxes.* U.S. GAAP requires companies to account for income taxes based on the liability method, whereas under Canadian GAAP the Company uses the deferral method. Under the liability method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

(4) *Foreign exchange gains (losses).* Foreign exchange gains (losses) on translation of long-term debt are amortized on a straight-line basis over the remaining life of the debt under Canadian GAAP. U.S. GAAP requires gains and losses to be included in income or expenses when incurred.

(5) *Equity in loss of investees.* The earnings of investees determined under Canadian GAAP have been adjusted to reflect U.S. GAAP.

Under Canadian GAAP, the investment in Star Choice was accounted for using the cost method of accounting until CRTC approval was received for the transaction. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investment was done retroactively to the date the Company first acquired shares in Star Choice.

(6) *Gain on sale of subsidiary.* In 1997, the Company acquired a 54% interest in Star Choice in exchange for the shares of HomeStar Services Inc., a wholly owned subsidiary. Under Canadian GAAP the acquisition of the investment in Star Choice was a non-monetary transaction that did not result in the culmination of the earnings process as it was an exchange of control over similar productive assets. As a result, the carrying value of the Star Choice investment was recorded at the book value of assets provided as consideration on the transaction. Under U.S. GAAP

the transaction would have been recorded at the fair value of the shares in HomeStar Services Inc. This would have resulted in a gain on disposition of the consideration the Company exchanged for its investment in Star Choice and an increase in the acquisition cost for Star Choice.

(7) *Gain on sale of cable systems.* Under Canadian GAAP, no gain was recorded in 1995 on an exchange of cable television systems with Rogers Communications Inc. on the basis that this was an exchange of similar productive assets. Under U.S. GAAP the gain net of applicable taxes is recorded and amortization adjusted as a result of the increase in subscriber base upon the recognition of the gain.

(8) *Unrealized gains (losses) on investments.* Under U.S. GAAP, equity securities, having a readily determinable fair value and not classified as trading securities, are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity net of related deferred income taxes. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value, that is other than temporary, has occurred.

(9) *Redeemable preferred shares.* Redeemable preferred shares with mandatory or retractable redemption provisions may not be classified as part of shareholders' equity for Canadian or U.S. GAAP purposes. However, under Canadian GAAP, dividends on preferred shares classified as debt are included in the income statement as an interest expense. Under U.S. GAAP, the dividend is treated as such and shown as a charge against retained earnings.

(10) *Equity Instruments.* Equity instruments are classified as equity under Canadian GAAP and interest thereon net of taxes is recorded as dividends. Under U.S. GAAP, these instruments would be classified as debt and interest thereon recorded as interest expense.

(11) *Stock-based compensation.* Under U.S. GAAP, the Company's previous stock option plan was considered a stock appreciation right resulting in the measurement of compensation equal to the fair market value of the stock received when an employee exercised their right under the plan. Based on the vesting and exercise of all rights under that plan on September 1, 1999, compensation was recorded under U.S. GAAP. Under Canadian GAAP, no compensation was recorded.

(12) *Extraordinary Item.* Under U.S. GAAP, debt restructuring costs are treated as extraordinary items, whereas for Canadian GAAP such costs are not. The costs would be reduced by the write-off of deferred foreign exchange losses amounting to \$27,707,000 which are expensed under U.S. GAAP.

August 31, 2000 and 1999

(tabular amounts in thousands of Canadian dollars)

B. Statements of Cash Flows

Under U.S. GAAP, cash flow from continuing operations per share cannot be reported in the statement.

C. Stock-Based Compensation

The Company applies APB Opinion 25 in accounting for common share options granted to employees and officers for U.S. GAAP purposes. Had compensation expense been determined on the basis of the estimated fair values of the options granted in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", August 31, 2000 net income would have decreased by \$3,622,000 or \$0.02 per common share (August 31, 1999, net loss would have decreased by \$87,494,000 or \$0.52 per common share).

The fair value of common share options granted in 2000 was \$46,929,000. The fair value of common share options granted is estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Dividend yield	0.17%
Risk-free interest rate	5.30%
Expected life	5 years
Expected volatility	56%

D. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", which is required to be adopted in years beginning after June 15, 2000. The Company expects to adopt the new Statement effective September 1, 2000. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge,

depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

Based on the Company's derivative positions at August 31, 2000, the Company estimates that upon adoption any gain or loss from the cumulative effect of an accounting change recognized in the statement of net income and in other comprehensive income will not be material.

17. SUBSEQUENT EVENTS AND PENDING TRANSACTIONS

(a) The Company has agreed, subject to regulatory approvals, to exchange its Southwestern Ontario and New Brunswick cable television systems plus approximately \$76 million in cash for the Vancouver and area, British Columbia cable systems currently operated by Rogers Communications Inc. At August 31, 2000, the Company's cable systems being transferred had approximately 609,000 subscribers and the Rogers systems had approximately 625,000 subscribers.

(b) The Company issued U.S. \$28.9 million SHELs IV on October 6, 2000, due October 6, 2025, which are collateralized by 1,000,000 shares of Liberate.

(c) In October 2000, the Company issued \$300 million 7.40% Senior Notes due in 2007 and \$150 million 8.875% COPrS due in 2049.

18. COMPARATIVE FIGURES

Comparative figures have been reclassified where appropriate to conform to presentation adopted in the current year.

shaw2000 five years in review

	2000	1999	1998	1997	1996
<i>(\$000s except per share and per subscriber amounts)</i>					
Income					
Cable	781,800	637,107	589,332	532,520	527,706
Internet	98,902	40,714	8,362	—	—
Satellite	69,542	—	6,361	—	—
Telecommunications	20,756	31,591	19,748	14,160	6,297
	971,000	709,412	623,803	546,680	534,003
Operating income					
Cable	358,515	287,676	267,159	250,777	252,915
Internet	33,359	10,586	1,381	—	—
Satellite	(1,532)	—	(4,069)	—	—
Telecommunications	7,321	11,611	4,864	3,255	1,511
	397,663	309,873	269,335	254,032	254,426
Net income before discontinued operations	118,499	46,550	19,644	9,176	79,775
Discontinued paging operations	(239)	(456)	(1,432)	(1,436)	(17,590)
Separation of media division	—	(301)	(4,687)	8,852	1,568
Net income	118,260	45,793	13,525	16,592	63,753
Earnings per share					
Net income from continuing operations	0.45	0.12	0.04	0.07	0.57
Discontinued and separated operations	—	—	(0.04)	0.05	(0.11)
	0.45	0.12	—	0.12	0.46
Net cash flow from operations	237,789	207,894	147,853	123,613	113,941
Cash flow per share	1.08	1.08	0.91	0.88	0.81
Balance sheet					
Total assets	5,321,859	3,734,395	3,256,453	2,453,962	2,199,305
Long-term debt	1,777,654	1,410,659	1,402,478	1,482,012	1,288,773
Cash dividends declared per share					
Class A	0.040	0.035	0.035	0.030	0.030
Class B	0.045	0.040	0.040	0.035	0.035

shaw2000 subscriber statistics

	August 31, 2000			August 31, 1999		
	Basic subscribers	Basic subscribers as % of homes passed	Full cable service	Basic subscribers	Basic subscribers as % of homes passed	Full cable service
British Columbia						
Port Alberni/Nanaimo/Parksville/Courtney/Comox	81,649	76.8	68,755	80,852	78.0	69,534
Duncan/Lake Cowichan	19,400	73.0	16,717	19,240	74.6	16,961
Victoria	116,378	76.3	96,884	114,171	77.3	97,804
Kelowna/Vernon/Penticton/Kamloops/Chilliwack	123,863	72.1	104,767	125,433	75.0	108,324
Prince George/Quesnel/Williams Lake	30,858	62.1	27,425	33,430	68.1	30,163
Fort St. John/Dawson Creek	7,961	50.3	7,081	8,607	55.3	7,734
Trail/Castlegar/Nelson	15,241	64.0	12,663	16,159	68.7	13,742
Cranbrook/Creston and area	16,379	65.7	14,253	17,137	69.5	15,086
Squamish	3,650	76.8	2,717	-	-	-
	415,379	72.1	351,262	415,029	74.5	359,348
Alberta						
Calgary/Lethbridge and area	301,075	72.6	260,640	295,647	74.8	261,384
Edmonton/Red Deer and area	165,432	76.0	143,631	165,103	77.1	146,243
Fort McMurray	12,593	84.1	10,480	11,239	83.0	10,354
	479,100	74.0	414,751	471,989	75.8	417,981
Saskatchewan						
Saskatoon/Prince Albert	65,017	66.0	56,538	65,369	67.0	58,734
Moose Jaw/Swift Current	17,099	66.2	14,728	17,418	67.1	15,307
	82,116	66.0	71,266	82,787	67.1	74,041
Manitoba						
Winnipeg	80,436	83.6	68,447	80,020	83.9	69,462
Portage la Prairie	4,889	73.1	4,199	4,787	73.1	4,145
	85,325	82.9	72,646	84,807	83.2	73,607
Ontario						
Greater Toronto area	343,337	82.1	297,405	331,510	81.8	293,728
Barrie/Orillia/Borden and area	76,393	72.5	65,244	76,117	73.9	65,348
Thunder Bay	35,283	71.5	32,115	36,666	73.5	33,737
Sault Ste. Marie	27,224	76.6	24,620	27,677	78.0	25,263
Red Rock/Marathon and area	5,509	67.5	5,465	5,565	74.3	5,558
	487,746	79.1	424,849	477,535	79.7	423,634
Nova Scotia						
Dartmouth	38,683	72.0	34,862	-	-	-
Bedford/Sackville	21,255	76.4	19,406	-	-	-
Digby/New Minas and area	10,625	56.5	8,560	-	-	-
	70,563	70.3	62,828	-	-	-
New Brunswick						
Saint John and area	41,838	69.0	34,523	-	-	-
Fredericton and area	31,004	67.0	26,240	-	-	-
Grand Falls/Edmundston and area	26,194	64.0	17,996	-	-	-
Moncton and area	42,031	72.6	36,702	-	-	-
Bathurst and area	47,996	64.4	17,556	-	-	-
	189,063	67.5	133,017	-	-	-
TOTAL	1,809,292	73.9	1,530,619	1,532,147	76.3	1,348,611

shaw2000 shareholder information

SHARE CAPITAL AND LISTINGS

The Company is authorized to issue an unlimited number of Class A participating and Class B non-voting participating Shares. At August 31, 2000, the Company had 11,419,972 Class A Shares and 194,204,919 Class B Shares outstanding. The Class A Shares are listed on the Canadian Venture Stock Exchange under the symbol SJR.A. The Class B Shares are listed on The Toronto Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR. The series A and B Preferred Securities (COPrS) are listed on the New York Stock Exchange under SJRPRA and SJRPB respectively.

Trading Range of Class B Shares on the Toronto Stock Exchange

September 1, 1999, to August 31, 2000

	High	Low	Total volume
First Quarter	\$ 58.85	\$ 38.50	12,998,182
Second Quarter	\$ 70.00	\$ 32.50	25,191,541
Third Quarter	\$ 45.50	\$ 31.00	17,214,666
Fourth Quarter	\$ 39.00	\$ 31.00	31,667,476
Closing Price, August 31, 2000	\$ 33.20		87,071,865

Share Splits

There have been three splits of the Company's shares – February 7, 2000 (2 for 1), May 18, 1994 (2 for 1), and September 23, 1987 (3 for 1).

In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base (ACB) was reduced for tax purposes. For details on the calculation of the revised ACB, please refer to the Company's September 1, 1999, and September 9, 1999, press releases on our Investor Relations website at www.shaw.ca/investor_relations/press.

Dividend Policy

The current annual dividend rates are \$0.045 per Class A participating share and \$0.05 per Class B non-voting participating share. Dividends are subject to review by the Board of Directors on an annual basis.

Quarterly Information

	Operating revenue	EBITDA ⁽¹⁾	Earnings per share ⁽²⁾	Cash flow ⁽³⁾	Cash flow per share ⁽³⁾
<i>(thousands of dollars except per share amounts)</i>					
2000					
Fourth Quarter	302,228	102,978	(0.03)	58,332	0.26
Third Quarter	227,433	101,364	(0.03)	64,045	0.29
Second Quarter	229,982	100,582	0.33	59,757	0.27
First Quarter	211,357	92,739	0.18	55,655	0.26
Total	971,000	397,663	0.45	237,789	1.08

1999

Fourth Quarter	186,828	81,042	0.10	62,677	0.33
Third Quarter	180,414	78,783	0.00	46,914	0.24
Second Quarter	176,952	77,203	0.14	53,083	0.28
First Quarter	165,218	72,845	(0.12)	45,220	0.23
Total	709,412	309,873	0.12	207,894	1.08

(1) Earnings before interest, taxes, depreciation and amortization.

(2) Earnings per share from continuing operations.

(3) Cash flow and cash flow per share from continuing operations.

shaw2000 corporate information

DIRECTORS

JR Shaw⁽⁴⁾

Executive Chair,
Shaw Communications Inc.

John L. Bragg⁽³⁾

President,
Oxford Frozen Foods Ltd.

Julia Conway⁽³⁾

Corporate Director

Jim Dinning⁽¹⁾⁽²⁾

Executive Vice President,
Sustainable Development
and External Relations,
TransAlta Corporation

George F. Galbraith⁽⁴⁾

Corporate Director

Ronald V. Joyce⁽⁴⁾

Senior Chairman and Co-Founder,
The TDL Group Ltd.

Charles V. Keating⁽²⁾

Corporate Director

Rt. Hon. Donald F. Mazankowski⁽³⁾⁽⁴⁾

Corporate Director

Jeffrey Royer⁽¹⁾⁽²⁾

Corporate Director

Brad Shaw

Vice President, Operations

Leslie E. Shaw⁽³⁾⁽⁴⁾

Chairman,
Shaw Industries Ltd.

J.C. Sparkman⁽⁴⁾

Corporate Director

Willard (Bill) Yuill

Chairman,
Monarch Communications Inc.

OFFICERS AND SENIOR MANAGEMENT

JR Shaw

Executive Chair

Jim Shaw

President and Chief Executive Officer

Michael Abram

President, Shaw Ventures

Peter J. Bissonnette

President,
Shaw Cablesystems G.P.

Peter R. Classon

Senior Vice President

Michael D'Avella

Senior Vice President, Planning

Robert A. (Randy) Elliot

Senior Vice President,
Technical Services

William A. MacDonald

Senior Vice President,
Human Resources

Margot M. Micallef⁽⁵⁾

General Counsel and
Corporate Secretary

Ronald D. Rogers

Senior Vice President and
Chief Financial Officer

Ken C.C. Stein

Senior Vice President,
Corporate and Regulatory Affairs

CORPORATE GOVERNANCE

Information concerning Shaw's corporate governance policy is contained in the Information Circular and is also available by contacting the Company.

INTERNET HOME PAGE

Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor relations information are available

electronically on the Internet at www.shaw.ca.

CORPORATE OFFICE

Shaw Communications Inc.
Suite 900, 630 – 3 Avenue SW
Calgary, Alberta T2P 4L4
Telephone (403) 750-4500
Facsimile (403) 750-4501
Website www.shaw.ca

AUDITORS

Ernst & Young LLP

PRIMARY BANKER

The Toronto-Dominion Bank

TRANSFER AGENTS

CIBC Mellon Trust Company,
Calgary
1-800-387-0825

Chase Mellon Shareholder
Services, L.L.C.,
New York
1-800-526-0801

DEBENTURE TRUSTEES

Montreal Trust Company
of Canada

Bank of New York

FURTHER INFORMATION

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit our website at www.shaw.ca for further information.

To receive an Annual Report of the Shaw Children's Programming Initiative, please fax your request to (403) 750-4501.

To receive additional copies of the Annual Report for Shaw Communications Inc., please fax your request to (403) 750-7469 or email angela.haigh@shaw.ca.

For inquiries relating to Shaw's philanthropic practices, please call (403) 750-6998.

During fiscal 2000, the following trademarks are or were owned by their respective companies, are used under license to or used with permission by Shaw Communications Inc. or one of its subsidiaries or affiliates including: Corus Entertainment Inc., SHAWTV, FiberLink, SHAW Ventures, SHAW Television Broadcast Fund (STBF), Corus, Corus Premium Services, Big Pipe, @Home, Excite Canada, Shaw@Home, SHAW Digital Cable, Digital Cable, The History Channel, The Comedy Network, Hang Ten, 360networks inc., Star Choice, Eastlink, Personal Video Recorder (PVR), BXI, Cancom Broadcast Solutions, Canadian Satellite Communications (Cancom), Cancom Learning Solutions (CLS), Anik F1, Anik F2, Interactive Distance Learning Networks, Telesat, Videon, Globalstar, Cancom Tracking Solutions (CTS), GT Group Telecom, Rogers Communications, Terayon Communications, Moffat, Liberate Technologies, Liberty Digital, OpenTV, Motorola, Netpliance, Alliance Atlantis Broadcasting, TVOntario, Headline Sports, Family Channel, Teletoon, Astral Media, CBS, Cable Plus, HITS, Dolby Digital, IBM, Dell Computer Corporation, CNN, Fox, CBC, NHL, Charles Schwab, MovieMax, Digital Music Express (DMX), TMN/Superchannel, BBC World, BET, Court TV, Game Show Network, A & B Sound, Canadian Tire, Future Shop, Leon's, Radio Shack, Sears and The Brick.

(1) Audit Committee

(2) Human Resources Committee

(3) Corporate Governance Committee

(4) Executive Committee

(5) Secretary on all Committees

Shaw Communications Inc. Suite 900, 630 – 3 Avenue SW, Calgary, Alberta T2P 4L4

